

CREDIT
AND

FINANCIAL MANAGEMENT

FREE PUBLIC LIBRARY
TRENTON - NEW JERSEY

SEP 1 1961

BUSINESS-LABOR-
TECHNOLOGY DEPT.



SEPTEMBER
1961

NUMBER 9

VOLUME 63

How CPA and Credit Executive
Can Better Help One Another

Institute Director, Banker, Industrialist,
Educator and Partner in CPA Firm Offer
Ways for Improvement of Mutual Service

The Cover Picture

See Pages 5, 14

Now—more strongly than ever—U.S.F.&G. reaffirms its faith in the independent agent with unusual full-color page advertisements like this in The Saturday Evening Post, Time and U.S. News & World Report. Now—more strongly than ever—U.S.F.&G. reaffirms its faith in the agent with the unadvised.



You can span obstacles... and still not know how to plan insurance

Without the help of an agent, the man who builds can fall down badly in planning an effective insurance program. So can you. Whether you're building a bridge or a business, a home or security for your family, get the professional assistance of the independent agent representing USF&G. You'll find he can help you plan a sound program of protection. Select and consult your independent insurance agent or broker as you would your doctor or lawyer.

THE **USF&G**

CASUALTY FIRE MARINE INSURANCE • FIDELITY SURETY BONDS

United States Fidelity & Guaranty Co., Baltimore 3, Md. • Fidelity Insurance Co. of Canada, Toronto • Fidelity & Guaranty Insurance Underwriters, Inc., Baltimore 7, Md. • Fidelity & Guaranty Life Insurance Co., Baltimore 3, Md.

In the News

JOSEPH J. SCHIRANO of the Schirano Candy and Tobacco Company, Baltimore, has been appointed judge-at-large for Baltimore County by Governor J. Millard Tawes. Mr. Schirano is president of the Maryland Wholesale Confectioners Association, a member of the Maryland Crime Commission, and state treasurer of the Knights of Columbus.

JAMES F. FLYNN, budget director, Commercial Credit Company, has been elected vice president of the Baltimore Control of the Controllers Institute of America, and B. D. BECKERLEGGE, vice president of Capital Research & Management Co., has been named secretary of the Los Angeles Control.

CARL A. BIEDERMAN, president of The Oshkosh National Bank, has been elected president of the Wisconsin Bankers Association.

Instalment Buying in France 1.16% of National Revenue

Instalment buying in France is expected to increase, now that purchasing power is growing and as a result of measures taken last year to make credit easier, says *France Actuelle*, published by the Comité France Actuelle, private association of French businessmen.

French consumption on credit was quoted as only 1.16 per cent of national revenue in the most recent year for which official statistics were available.

For the United States the survey gave a total of 12.2 per cent, for Canada 10.2, Italy 3, Britain 2.7, West Germany and Belgium 1.9 per cent.

A man who wakes up to find himself rich and successful has not been sleeping long. —N. A. Rombe

LEARN HOW YOU CAN...

INCREASE SALES AND REDUCE CREDIT RISKS

BY USING



CONTROLLED INVENTORY
PLAN



ST. LOUIS TERMINAL FIELD WAREHOUSE CO.

Send for this 6-Page Booklet Today

Shows how:

- To put more merchandise at the disposal of your dealers or distributors but not increase your credit risk
- To reduce factory storage costs

ST. LOUIS TERMINAL FIELD WAREHOUSE CO.

EXECUTIVE OFFICES: 826 Clark Ave., St. Louis 2, Mo.

District Offices in
Principal Cities
of the U.S.



Please send me bulletin 144

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____

CITY _____ ZONE _____

STATE _____



EDITORIAL

Strength through Compromise

A THREAT to either one from a third source will end an internal family dispute and bring husband and wife together against the common foe—and rightfully.

So also does the threat from the Kremlin over the Berlin issue cause domestic political differences to be shelved in favor of bi-partisan support for the President's proposal for quick massive buildup of conventional military strength—and again rightfully.

This country must be quickly put in a position to offset Russian pressure not only in Berlin but anywhere in the world—and with either conventional or nuclear weapons. We are certain that neither Republicans nor Democrats will flinch at the cost, and that even the massive retaliation strategists of the SAC will go along with the idea, as a hedge against the approach of their own specialty.

This country is unified in thought and attitudes as it has not been in a number of years.

Our new military program will take an extra five or six billion dollars each year, for the additional men, trucks, tanks, supplies, etc., which will be required. Three and one-half of these billions have already been asked for, and there will be more needed before the end of the fiscal year.

Pressure on prices will become increasingly great, with some responsible economists predicting as much as a 4 per cent rise in the Consumer Price Index in the coming year.

With the possibility that consumers and industry will both tend to accumulate inventories, an inflationary spiral could easily begin.

We urge President Kennedy to recognize that our current national unity is one born of external emergency—and no more. To maintain that unity and minimize the exposure of our dollar to shrinkage during these perilous days he must not force the loyal opposition to swallow costly and highly controversial programs irrelevant to our current military needs.

EXECUTIVE VICE PRESIDENT

THE SEPTEMBER COVER

OMEONE has said that *every* large, and Al, business was at one time a marginal account. That is over-statement, but unquestionably a very large percentage of a supplier's customers had such a beginning.

Not so frequently arises the instance of accepting a credit risk which from the outset gives practically no promise of becoming an outstanding or even permanent account. The reason for handling such a case is that it promises good profit within the limited period of sale indicated.

In this month's feature article (page 14), in the "Management at Work" series, the Character of the account was all-important.

Coupled closely in the profitable experience was the extra effort in cooperation by the sales department.

Out of extended discussion with the account's treasurer, and with his accord, the credit manager evolved a plan to supply small orders every third day, with \$1,000 the maximum of the individual order. Thus 45 orders were handled in 145 days. How the treasurer lived up to expectations when the account came upon evil days is related by Harold



C. Gibson (left), credit manager Chemagro Corporation, Kansas City, Mo., to Charles V. Jones, Chemagro's treasurer, and Allan R. Bennett, assistant treasurer.

Mr. Jones, who received his education in accounting at Long Island University, became treasurer of the corporation in 1959 after service in the firm of Leslie, Banks & Co., CPAs.

Mr. Bennett had been an accountant with Arthur Young & Co., CPAs, before being named assistant treasurer of Chemagro two years ago. He holds degrees in accounting and budgeting from Long Island University.

CREDIT and FINANCIAL MANAGEMENT

Official Publication of The National Association of Credit Management

VOLUME 63

NUMBER 9

IN THIS ISSUE

	Page
Strength through Compromise— <i>Editorial by Alan S. Jeffrey</i>	4
How Can Certified Public Accountants and Credit Executives Better Help Each Other?	8
<i>Who Is Behind the Figures?</i>	8
<i>Entitled to Complete Information</i>	9
<i>Asks Mutual Assistance Program</i>	10
<i>CPA Is Advisor to His Client</i>	11
<i>A Job of Communication</i>	12
CFM Scoreboard: 19 Forecast Production Index Exactly; Dozen within a Half Point on Wholesale Index	16
Talking Convincingly to Customers by Personalizing Friendly Letters	18
Know Your National Association and How It Serves You: Part VI, Publications of the NACM	20
Sales through Unusual Credit Arrangements	24
The Problem: How Achieve Expansion to Meet Increasing Demand? The Role of Commercial Financing	26
How Best Sell Yourself to the Boss?	40

DEPARTMENTS: Washington, Page 6—Management at Work, Page 14—Modernizing the Office, Page 28—Book Reviews, Page 30—Efficiency Tips, Page 30—Keeping Informed, Page 30—Calendar of Coming Events, Page 39—Personnel Mart, Page 41—Executives in the News, Page 42

EDITOR

Ernest A. Rovelstad

ADVERTISING AND PRODUCTION MANAGER

Lillian Bermont

EXECUTIVE VICE PRESIDENT

Alan S. Jeffrey

ADVERTISING REPRESENTATIVES

New York, N. Y.—Irving Mallon, 302 Fifth Ave. (7th Floor), New York 1, N. Y. Phone: Oxford 5-4759.

Chicago, Ill.—Russell Smith, 205 West Wacker Drive, Chicago 6. Phone DEarborn 2-5091.

Send copy and plates to 44 East 23rd St., New York 10, N. Y.

Published monthly on the 20th of month preceding date of issue by the National Association of Credit Management, 3rd St. and Hunting Park Ave., Philadelphia 40, Pa.

Second class postage paid at Philadelphia, Pa.

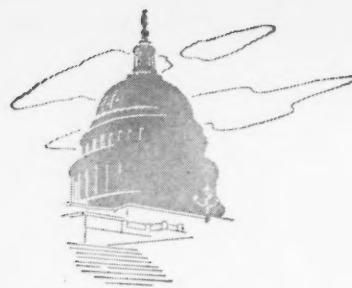
Subscription price \$5.00 a year, 50¢ per copy; Canada, \$5.50; all other countries, \$6.00 postpaid. Copyright 1961 by the National Association of Credit Management, which is responsible only for official Association statements and announcements printed herein. Printed in the United States of America.



Editorial, Advertising and Executive Offices: 44 East 23rd St., New York 10, N.Y. ORegon 4-5100.

(Address all editorial and advertising material to the above New York Office.)

Publication Office:
3rd St. and Hunting Park Ave.,
Philadelphia, Pa.



Washington

¶ THREE bankruptcy bills of widespread interest to credit and financial executives were passed by the House on August 7th.

H.R. 4473, backed by the National Association of Credit Management, provides that the priority and non-dischargeability of federal, state and local tax claims be limited to only such taxes as become legally due and payable within three years before bankruptcy. The bill is now before the Senate judiciary committee.

H.R. 1961 would clarify uncertainties, precipitated by the *Quaker City Uniform* case, so as to give first priority status to contractual liens over claims for administrative expenses, labor and rent.

H.R. 7405 would authorize the United States Supreme Court to prescribe general rules for practice and procedure in bankruptcy, and so relieve Congress of the necessity of acting upon many bills which are concerned with no more than procedural changes.

¶ URGING a "major economic offensive for trade expansion, not contraction", and declaring "Americans have far more to gain in exports than to lose in respect of imports", Senator Jacob K. Javits (Rep. N. Y.) told the Senate that highest priority should be given legislation to modernize U. S. trade policy and build a "framework for renewal of the Reciprocal Trade Agreements Act", which otherwise will expire June 30, 1962.

The Senator spoke in behalf of his export bill, S.1379, and import bill S.851 which Senator Clifford P. Case (Rep. N. J.) co-sponsored. The import measure calls for trade adjustment assistance through loans, tax incentives and technical aid to businesses adversely affected by concentrated import competition. Industry-wide assistance, he said, would be a "free-wheeling expenditure of public funds", and no help to the less efficient firm.

"Plans have been put forward to shift the entire responsibility on our trading partners through imposed quota systems," said the senator, "but neither imposed quotas nor protective tariffs can do that job, and are likely to have a contrary effect". He warned that isolationism in American policy would bring retaliation

against our exports by trading blocs in Europe, Latin America and elsewhere.

¶ INQUIRY into the securities markets, to determine whether current rules and regulations adequately protect the investing public, has been recommended by the House Interstate Commerce Committee, with the Securities and Exchange Commission to do the job.

The bill, introduced by Representative P. F. Mack, Jr. (Dem., Ill.), chairman of the subcommittee, calls for \$750,000 outlay to make a comprehensive investigation.

Keith Funston, president of the New York Stock Exchange, had testified that an inquiry was unnecessary, and said that the SEC's present limited inquiry into the American Stock Exchange should be wound up before undertaking any study on a broader front.

On the other hand, officials of American indorsed a full-scale investigation, though both Joseph F. Reilly, chairman of its board of governors, and President Edward T. McCormick, called their present rules sufficiently protective.

Congressman Mack declared hearings had convinced him there was "widespread evidence of speculation", and the SEC had indorsed his measure.

¶ IMPORTS will increase with U. S. economic recovery, said Douglas Dillon, secretary of the treasury, and Walter W. Heller, chairman of the President's Council of Economic Advisors, in testimony before a joint economic subcommittee of Congress. To "boom" conditions in Europe and Japan coupled with the U. S. recession Mr. Dillon attributed last year's improvement in trade balance, as exports increased markedly and imports fell off. He predicted a change in balance, possibly this year, but held out no assurance that it would continue through 1962.

¶ COUPLING reference to evidence the economy is moving upward after the recession with a hint that the President had on the drafting board a plan to push industrial activity via public works, housing and employee training. Dr. Heller predicted a 6 per cent unemployment rate even if the gross national product were to reach \$525 billions by next winter.

(Concluded on page 36)

An Invitation from the

CREDIT RESEARCH FOUNDATION . . .

. . . to participate in a progressive program of credit research and education . . .

by

*Fostering high standards and improving credit techniques

*Bringing the Credit Executive to the attention of top management and showing the importance of credit as a positive, profit-making part of business

*Providing a "clearing house" for problems, solutions and ideas

*Educating the credit man and woman to assume executive status.

*

*

*

The Research Program

Surveys

Accounts Receivable

Economic Trends

Credit Practices

Recent Studies

Credit Management Handbook

Financing Industrial Equipment Leases

Guide for the Establishment of a Credit Department

The Educational Program

Graduate School of Credit and Financial Management

Stanford and Dartmouth Sessions

National Institute of Credit

Educational Programs at Local Association Level

Credit Management Workshops

*For further information
Clip and mail this coupon today*

Managing Director
Credit Research Foundation
44 East 23rd St., New York 10, N. Y.

Please send me further information about
The Credit Research Foundation

Name

Company

Street

City

~~~~~  
**Your Membership**  
**in**  
**THE CREDIT RESEARCH**  
**FOUNDATION**  
**will help promote**  
**A Sound Program of**  
**Credit Management**  
**For You**

# How CPA and Credit Manager

## Who Is Behind the Figures?

By JOHN L. CAREY\*

**A** NYBODY who depends upon another person's report needs to know the character and competence of the reporter. This is a truism, and a rather obvious one. But I think it bears repetition because it has been so frequently ignored—ever since Eve accepted a questionable source of information about the edibility of a certain fruit.

On the other hand, good judgment regarding the character and competence of reporters has often been a key element in human progress. For example, a number of people made good by trusting Columbus and believing what he said.

Accounting has long been one of the most important kinds of reporting, but I doubt whether it has ever been any more important or any better than the people doing it. Double-entry bookkeeping originated in the Fifteenth Century in Italy, and was apparently an important tool for making the Italian city states of that period leaders in world trade. For this to happen, most of the bookkeepers must have been reliable—through fear of punishment, hope for reward, or native integrity.

The potential of modern accounting is awesome. Even now, accounting information is the *sine qua non* as management's instrument of control, as the stockholder's analytic guide for investment purposes, as the credit grantor's reference on loan applications. Both electronics and improved professional competence among accountants, as well as new technological breakthroughs in industry, indicate that all the traditional services of the certified public accountant will be rendered in the future with even greater depth and breadth, and that the broad reliance of the American economy on CPAs will continue to grow.

Of course, certified public accountants are human. Will they meet these responsibilities? Indeed, who are they—that we should expect them to meet their responsibilities today?

THE "OPINION PARAGRAPH" of the CPA's standard short-form report reads: "In our opinion, the accompanying balance sheet and statements of income and retained

\* Executive Director, American Institute of Certified Public Accountants.

earnings present fairly the financial position of X Company at \_\_\_\_\_ (date) \_\_\_\_\_, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Of course, "our" means the accounting firm that signs the report; but it is significant, especially for credit grantors, that the matter doesn't end there.

In more than half of the states, only a CPA (or, in some, also a licensed public accountant) may issue such a report. The laws of all states, and the standards which state boards of accountancy enforce under these laws, bind CPAs to render services of professional quality. What this means to credit grantors is, in brief, that the report of the CPA will be expert, independent, informed, technically sound, and candid. A credit grantor should realize what the CPA is *not* responsible for under the law. He is not *primarily* responsible for the statements of management, and the laws do *not* require the CPA to insure, guarantee, or warrant the accuracy of management's representations. If they did, CPA audits would be prohibitively expensive.

Nevertheless, the CPA is responsible both legally and ethically for doing his work in accordance with accepted standards of the profession.

The liability of CPAs to third parties has been substantially affected by the Federal Securities Act of 1933, the Federal Securities Exchange Act of 1934, and the state securities acts or "blue sky laws." In practice, these acts have influenced the profession not so much because of the effect on the legal liability of CPAs as through the support they have given to the profession's own definition of generally accepted auditing standards. Also, the SEC's registration requirements have tended to strengthen the profession's own efforts to maintain high standards of professional independence.

There are two points of special significance to credit grantors with regard to the legal liability of CPAs:

1. Almost never is a CPA found guilty before the law of gross negligence. The number of cases is so few that the Institute's Professional Development Course entitled "Legal Liability of CPAs"—while covering an essential body of subject matter for every CPA—finds very few cases to review!

(Concluded on page 31)

# Can Better Help Each Other

## Entitled to Full Information

by JASPER C. OSBORNE\*

DANIEL WEBSTER once said, "Sound credit has done more a thousand times to enrich nations than all monies of the world." Normal expansion of commerce is possible only through intelligent credit granting. The Federal Reserve System has done this for banks. It has clear-cut requirements. Industry is establishing clear-cut rules for credit granting.

The average creditman before making a credit considers (1) The history of the company requesting credit, the history of the individuals in the company and their moral standing, experience, etc. (2) The information commonly called trade information—what lines of credit are they getting on what terms and how are they paying their bills. (3) Financial information and (4) Operational methods of the company. Each element is important in determining the credit.

In 1895 there was no National Association of Credit Management. There was no National Bankruptcy Act. Business across state lines was hazardous. Fraudulent transfers were common. Since that time there have been many changes, and certainly cooperation between certified public accountants and businessmen has not been merely a coincidence, but rather a well planned evolution. In many areas of the country this cooperation has not been well developed; only in a few large cities.

### FORCES FOR ECONOMIC GROWTH

THE ACCOUNTING profession is a definite force in our economic growth and so is well informed credit granting. The scope of the audit often is necessary to be known, especially with reference to principal assets and liabilities. Frequently short-form information is not enough.

When I began my business career in 1924, there was no joint effort being made between certified public accountants and creditmen toward a fuller understanding of the requirements creditmen felt were necessary in establishing credit lines. In 1929 the New York Credit and

\* Vice President Trust Company of Georgia, Atlanta, and a director of the National Association of Credit Management. Reprinted with permission from an article by Mr. Osborne on "Cooperation between Creditors and Accountants" in the spring 1961 issue of "The Georgia CPA," publication of The Georgia Society of Certified Public Accountants, Inc.

Financial Management Association and the New York State Society of Certified Public Accountants formed a joint committee for cooperation. The committee continued its studies for the better part of ten years and finally adopted certain recommendations which were accepted by the American Institute of Accountants on May 19, 1939. I am happy to hear a similar committee has been formed and is in front in Atlanta working along the same lines.

The average credit grantor, unlike the modest investor, is often a continuing and substantial investor in your client's business and is, therefore, entitled to complete, detailed information and to know how it is prepared. Without such information, sound intelligent decisions cannot be made. Instead of placing on the accountant a burden or responsibility, such information lifts such responsibility from the accountant by his full explanation which appears as part of the audit, or as an addendum to the audit.

If I appear in any way to be treading on your prerogatives in suggesting that you prepare and disseminate the following financial information of your client, please be patient and hear me out. This is simply the type of thinking now well established in the textile and related industries and is being carried out quite successfully and fully by certified public accountants serving that industry in the large city areas.

The title of "Cooperation between Creditors and Accountants" is a broad one. I shall divide it into two principal areas although the first area covers most of the subject. (1) The suggestions made and being carried out by the Committee on Cooperation in New York City between certified public accountants and creditmen. (2) An appreciation of the cash flow sheet.

### COOPERATION

Now for item one: "Cooperation."

A. Set up ledger accounts in such a way that both debtor and creditor are well informed. This may mean a breakdown of general accounts into smaller segments. It may mean much more work for the CPA but it is of real value as information, both for the debtor and creditor. As an example the general title "Accrual" might include accrued insurance, accrued advertising, accrued

(Continued on page 32)

## Proposes Mutual Aid Program

By JOHN L. HARVEY, CPA\*

WHILE at first glance it might appear that the credit manager and the independent certified public accountant have little in common in the general scheme of business affairs, a more careful analysis suggests that the activities of these two men of commerce actually touch at numerous points. They might well in certain areas set up a sort of mutual assistance program, on a basis of no charge by either.

Since everyone likes mutual aid that does not involve cost, that phase of the program should find enthusiastic takers. It may be, however, that the principals do not understand completely the areas in which mutual aid is possible (whether involving cost or not), and it may be worthwhile to review how the accountant can help the credit manager and vice versa.

### ESTABLISHING VALUE OF RECEIVABLES

LET US FIRST take a look at the help that the creditman can render to the accountant. Foremost in this area is the rendering of aid in establishing value of receivables. This is an important aspect of the audit by any certified public accountant and is essential to forming the opinion expressed in his report. This is probably the most important relationship between the creditman and the accountant and is the one most frequently experienced.

In the course of his audit, the certified public accountant must rely upon many experts other than himself. He may rely upon engineers or chemists to give him information as to inventories; he may rely upon experts to advise him on insurance coverage; he may rely upon lawyers to advise him as to the status of pending litigation; likewise, he must rely upon the credit man to advise him on the collectibility of receivables.

It should not be implied that the accountant blindly relies upon the expert. The accountant will review the results that the expert develops with a critical eye, but it will be the eye of an amateur and not of a professional in that particular field. It, therefore, becomes important for the creditman to develop convincing evidence for the accountant. This includes the maintenance of complete files with adequate documentation, particularly with respect to slow accounts. The need for written records, as opposed to remembered telephone calls, is important. Even where the phone is used, written memos as to the conversation are very convincing to the accountant. Another piece of evidence which the accountant will look for are the financial statements of the customer. These should also be included in the credit files.

Partner, Arthur Young & Company, Pittsburgh, Pa.

IN ADDITION to reviewing the credit files, at least on a test basis, the accountant may desire certain supplemental information from the creditman. With respect to a particular account he may like to know whether or not the company has gained or lost any important customers in the recent past. Information regarding litigation in which the company may be involved is important.

The accountant may ask as to the acceptance of the customer's product in the industry and whether this is on the decline or increasing. Where accounts or notes receivable are secured by collateral, the accountant will ask for full information as to the nature and value of that collateral. To the extent that the credit manager can provide this information to the accountant, he is upholding his end of the mutual aid agreement.

Although the creditman is inevitably associated with accounts receivable, there are several other accounts that the auditor may question him about. For example, one of the important objectives of the audit of inventories is to determine whether or not any stocks have become, or are becoming, obsolete. The real measure of obsolescence is whether or not a particular inventory item can be sold, and a creditman who is on top of his job is probably in the best position to decide objectively whether a specified product can be sold without making significant allowances. Certainly the credit manager is a more accurate source in this area than the sales manager, whose optimism is proverbial.

Defective inventories might also be disclosed by consulting with the creditman as to recent customer complaints. Here is another example. It is not unusual for the auditor to be faced with the review of warranty reserves. Here, again, the credit executive with his knowledge of allowances granted to customers may have valuable information with respect to the adequacy of the reserves provided.

### VALUE OF CPA OPINION TO CREDIT

IN ADDITION TO, and probably above and beyond, the technical aid which the credit manager can render to the accountant, is the broad help that he can render in spreading the doctrine that the principal product of the certified public accountant, his opinion on financial statements, is valuable for credit purposes. It is necessary only to go through credit files to prove how seldom the CPA opinion on financial statements is used as a basis for accepting credit. While the difficulties of obtaining any statements, let alone unqualified opinion statements, are recognized by the accountant as well as the creditman, it is essential that the credit manager not overlook this

(Continued on page 33)

# CPA Is Advisor to His Client

By GEORGE J. KELLEY\*

**I**NFORMATION is the lifeblood of credit extension. Credit extension is the lifeblood of business prosperity.

With businesses becoming more complex and more dependent on the efficiency of their operations, more and more internal information has become essential to management to assure adequate profit.

External information, because of the same reasons, has become correspondingly important.

When credit management was in its infancy, a company's integrity had to be sufficient because this was the only available indication of the success of the business. This is no longer true. Even the issuance of financial statements to suppliers is no longer sufficient for intelligent credit extension.

## TREND FACTOR IN CREDIT APPROVAL

IN ORDER TO APPROVE credit intelligently today, a supplier should know where a customer is headed—in a word, the TREND of the customer's success.

We hear much from credit managers today of the necessity of greater selectivity in credit risks. This should be true not only when business tightens up but at all times.

Selectivity, however, must be carefully handled. Selectivity cannot be confined to how a customer stands financially at a particular time, but a credit manager should be more concerned with the TREND of a customer's business.

Based on "current information" a credit executive might turn down an order for an account with: A poor rating; slow-paying record; and, an unimpressive financial statement. In doing this, he may lose a good customer who would have been an excellent source of distribution for his product. If he had been able to find out the TREND of the prospective customer's business, he might have found that the customer's business had been unhealthy but is showing a decisive trend toward improvement, due to changes in management, changes in policy of the company, changes in local conditions; or several other changes. With this information, the credit executive might have been able to look ahead and find that this customer would have been a better selective risk than others with more impressive current information but with a less desirable trend.

Every credit executive, every banker, every certified public accountant who is "worth his salt" is vitally

interested in the prosperity of his customer or client. They all become, automatically, partners in the business and can do their work best when they have sufficient information and are able to cooperate with each other.

Of course, the CPA is the one who should originate the information and pass this information to the banker and the credit executive—with permission from his client. He is no longer just an auditor but an advisor to his client. He should understand the necessity to distribute proper information to the unofficial partners—and be able to show the client the benefits to be derived by supplying this information.

The stockholders' report is no more important than a "supplier's report" which could be sent to suppliers who, in many cases, *have more money invested in the business than the stockholders*, partners, or proprietor.

A customer who consistently issues such a report should not be concerned, when business conditions indicate, to show unfavorable trends. A good credit executive should expect this and take this into consideration along with the general history of the business.

It should not be expected that all indices are always going to be consistently more and more favorable, but they should be considered in the light of the general direction that the customer's business is headed.

## A "SUPPLIER'S REPORT" should show—

Comparative trends and ratios over the latest several years of operation.

Oddities in any particular year such as extraordinary income or expense.

Changes in sales volume and expenses and the effect on the break-even point.

The current philosophy of management on expansion, control of costs, and any other basic changes in management plans.

The current or changing conditions in the customer's locality that may affect the business.

A list of the customer's major suppliers, to indicate who his partners are and the type of merchandise he features.

A statement by his CPA as to consistency of accounting procedures, valuation of inventories, condition of accounts receivable.

Cash forecast and budget for current year.

Long and short term debts and liquidation plans, as well as a forecast of future borrowings.

A short history of the company and its management.

Of course, a current financial statement.

Such information would be of great value to the credit

(Concluded on page 34)

\*Vice President, Swank, Inc., Attleboro, Mass.

# A Job of Communication

By NELSON J. GULSKI, CPA\*

WHILE accountants deal with the designing of systems and the recording of transactions, these are only a means to an end—the reporting of financial information to interested persons. Here is a job in communications.

A workman is often judged by the tools he uses. A good carpenter has an *adequate supply* of tools. He keeps them in condition—cutting tools sharp, measuring tools accurate. He selects the proper tool for the task at hand and uses it with skill to obtain a precise effect.

How about us as accountants? Are we selecting the right tools for the job? Are our tools sharp or dull? Are we turning out a professional result?

The basic tools used in our reporting job are *words*. Let's look at some of these words and see if they are special purpose tools in good condition and will turn out a professional-type job.

## ASSET SIDE OF BALANCE SHEET

FIRST, let's consider one of the basic terms of the trade—assets. The typical definition of an asset is "anything owned which has exchangeable value", and in the lay mind I am sure that when an asset title is used with a number of dollars it conveys the idea of value.

This caption undoubtedly includes cash on hand—even if we have borrowed it and must repay it. Does it include equipment which we have purchased on the instalment plan and to which we do not have legal title? Probably yes. Does it include a building which we built, sold to an insurance company, and leased back for a fifty or hundred-year period? The conventional accountant says "No". What is the basic difference between this building which is being used in our business and the cash which we borrowed from the bank? In both instances we are using the values in our enterprise. In both instances we have an obligation to return the property. In both instances we are paying for its use. Yet one is an asset and the other is not?

What about merchandise on order for which we have a firm obligation to pay? What about the right to reduce future income tax payments because of the carry-forward of a net operating loss?

Let's approach the problem from a different angle. When in building a balance sheet we set down the caption "assets" and proceed to list them, what is our purpose? Traditionally a balance sheet has been thought of as a

statement of financial condition—an attempt to show how the enterprise functions. Yet even as we list our current assets we may, under LIFO, state the inventory in terms of yesterday's dollars and many thousands of dollars less than its present value. When it comes to items of equipment we deliberately state them without regard to their present value. Cost less depreciation does not attempt to approximate present value and, to add to the confusion, some of these pieces of equipment were depreciated by the straight-line method, some by an accelerated plan. We have no qualms about listing some items such as goodwill and trademarks at their cost even though they have no present value. Other items such as tools which are definitely assets may not be listed at all because of a too-conservative policy of expenditures to reduce taxes.

Might I respectfully suggest that we accountants do some thinking about this problem. Let's ask ourselves what we are trying to do on this socalled asset side of the balance sheet. If we can answer that, perhaps we can select or devise a better tool to do the job. If we cannot devise a better scheme for setting forth what we call the financial condition of the business, perhaps we should change the name of the statement and label most of the items on the left-hand side as "expenditures chargeable to future operations." This would certainly be a less misleading caption than assets.

## THE LIABILITY SIDE

LET'S LOOK at the other side of the statement. Perhaps the matter of liabilities is not so involved. What is the definition of a liability? There are many of them. Some tend to stress the legal side of the matter. Some take a narrow view which makes a liability synonymous with debt.

To get down to some specific items we all agree that obligations incurred in definite amounts for goods, services and money borrowed are liabilities. But what about our obligation to meet rental payments resulting from long-term leases? What about the socalled deferred income tax liability resulting when profits reported on published financial statements are larger than the amount on which income taxes are paid? This may result from the use of the conventional method of accounting for profits in our reports but using the instalment sales method of reporting for taxes. This might also result from the use of accelerated depreciation for taxes but straight-line depreciation for our reports. What about our liability under pension plans?

There are other "gray" areas in connection with the building of a balance sheet which are in need of refine-

\*Dean of School of Business Administration, Bryant College, Providence, R.I. From address before Worcester Chapter of National Association of Accountants

ment but I am sure that I have said enough to indicate that I believe that these two basic terms, *assets* and *liabilities*, are not crystal clear in our own minds and I am sure that as tools for the communication of ideas they need to be sharpened.

Before I leave the balance sheet I should like to look at two more terms in common use. The first is the term "*current assets*." While accountants aren't all agreed on the items to be included under this caption there is the American Institute's definition which says that cash and those assets which we intend to convert into cash in the ordinary course of business within a year, or within the operating cycle if it extends beyond one year, are current assets. Add to this short-term prepaid expense items.

WHY ARE WE so interested in these current assets? Why, of course, to compare them with the current liabilities which are generally considered to include those items payable out of the current assets within one year.

The relationship between the current assets and liabilities we all know as the current ratio. It is a relationship designed to give some idea as to the company's current debt-paying ability. Let's look at this ratio as a valid measure of debt-paying ability. To begin with, the inventory valued under Lifo may not be a very good measure of the cash that it will produce. Secondly, the rate at which the receivables and the inventory are turned into cash is a matter of guesstimate on the part of the reader. Thirdly, the operation of any business means the gradual conversion of its fixed assets into cash. In other words, part of our equipment is in effect a current asset. It is going to be converted into cash in the ordinary course of business. Sometimes this is a relatively minor item, but in others, with short term equipment—rental automotive equipment—it might loom large. There are other factors—but I have said enough to indicate that in my view the current assets as stated may be a pretty crude measure of available cash.

Our *current liabilities* do not take into account payrolls, lease and interest payments and other items of current operating expenses which have to be paid from the current assets.

The point that I want to make is that while the use of the current ratio as a measure of debt-paying ability may be of some value, it is much like the use of a chisel to cut a board in two. There is a better tool—a saw. We accountants have a better tool—the cash budget—but it is not widely used.

### THE CASH BUDGET

IN TURNING our attention to the problems encountered in telling the story of financial progress it might be well to quickly review the history of statement preparation.

Not too many years ago the annual accounting was accomplished by taking an inventory of all the concern's assets and pricing them at current figures. Any increases in values were included among the incomes; any decreases in value were counted as losses. The profit figure reflected unrealized losses and gains. The balance sheet

was the most important statement and attempted to set forth the true net worth of the company. In those days there were no income taxes. Businesses were relatively small, and values stable. Relatively few groups of people had an interest in the progress of the enterprise. The ownership and management were in the same person or group. Accounting problems were relatively simple. Perhaps ignorance was bliss.

Times changed—business units increased in size and complexity. Annual evaluation became difficult if not impossible. Income figures assumed greater importance and the task of measuring income became one of matching costs and revenue. But what is revenue or income? The economist has one idea which I must say is not a very practical one. Legal minds see another. Accountants may have a clear concept of income but they have many different ways of measuring and giving it recognition in the accounts. In some cases income is recognized as the sales are made—sometimes as the work is done on a contract—as the sale price is collected on an instalment sale, and in many other ways.

Costs are applied against revenues in many ways too. In chronological order, or Fifo, in reverse chronological order—Lifo, sometimes yesterday's cost, and sometimes tomorrow's costs; sometimes the costs are allotted in even amounts—straight line depreciation. Sometimes the revenues are offset by items that are not cost-percentage depletion.

### MULTITUDE OF PLANS

THUS we see a multitude of plans for recognizing incomes and just as many schemes for taking up expenses. I have no idea of how many combinations are possible, but the answer in every case would be different and yet bear the same label—net income. What led to the selection of the specific combination of methods used in a particular case? Was it always the desire to paint the clearest, most accurate picture or did expediency loom large in the selection?

This multitude of choices has led to net income figures—even from company to company in the same industry—which may not be comparable. The person who figures he can compare the reported per-share earnings of any three rubber companies is naive indeed. Yet the audit report accompanying the statements says that these statements *fairly present* the progress of the concern in accordance with generally accepted accounting principles—whatever they may be!

I should like to come back to this matter of generally accepted accounting principles a bit later but at this point I should like to observe that the words *net income* do not convey a very precise notion of the concern's progress. I think this is another communication tool which could stand some sharpening.

The accountant's life would be simple—and perhaps he would not have a job—if one set of rules would serve for the determination of income under all conditions. We are all aware that business activity is so varied

(Continued on page 34)



By HAROLD C. GIBSON

*Credit Manager*

Chemagro Corporation  
Kansas City, Missouri

**I**N the past few years, credit operation has taken on more of a "new look" than many other phases of doing business. Reasonable trust in a man's character is to us now the most important factor in the credit analysis.

It is very difficult for concerns in general to obtain the needed volume of profitable business without selling to the socalled marginal account. Our company is no exception. More than that, occasionally we are asked to devise some way that we can go just a little beyond in order to get that extra sale on a "very profitable item."

Every credit executive is striving to develop the poor credit risk into an account which his company can look forward to selling for years to come. This is the way he can best contribute to the sales effort—and it is absolutely necessary for today's credit manager to contribute to the sales effort in every way possible.

When the marginal risk is taken on, development into an account which we can sell over the years ahead is not always indicated. In fact, we on occasion agree to sell an account which we know from the very beginning will almost be on a day-to-day basis.

The following case is an instance of a substantial amount of profitable business being realized from a very poor credit risk in a reasonably short period. This is also a very good ex-

## MANAGEMENT AT WORK

### *.... a problem case is solved*

ample of the credit department receiving "more than maximum" cooperation from the sales staff.

Some time ago, our sales people approached us with a request to sell a concern I shall refer to as Company X. This would be a very profitable piece of business for us, as the sales people were quick to point out.

Most of the suppliers of Company X had the account on C.O.D. or Cash with Order. Due to certain mechanics of selling in this location, it would have been impossible for us to move our material on a C.O.D. basis. A small line of credit would be required, but not for more than 10 days.

We decided to make a trip to see the treasurer of Company X. After a lengthy discussion, we finally came up with the following idea. I shall use dollar figures, although fictitious in amount.

#### *Small Orders on a Schedule*

It was first established that orders from Company X would be received in comparatively small quantities on a schedule of about one order every three days. With this in mind it was agreed—and our order desk in the district office was so advised—that no individual order in excess of \$1,000 would be accepted.

The treasurer of Company X would mail a check, to cover each order, to my attention in Kansas City at the same time that the order was mailed to the district office. The district office would mail me a copy of our release when the order was received. Therefore, if an order was

placed and a check not in the mail, I would know about it within two days.

It was further agreed that I would hold three checks for 10 days or until the fourth check was received, whichever occurred first. Then the oldest check was to be deposited. In other words, we would not hold more than three checks, or for more than 10 days.

In a 120-day period, 45 orders were handled in this manner with everything functioning like clock-work.

Then trouble developed very rapidly. A check was returned by our bank due to insufficient funds. We were able to stop acceptance of orders by our district office so that we were left holding checks for only four orders.

A call was placed to the treasurer of Company X. We reminded him of our original agreement that any infractions would automatically terminate the arrangement. Although the customer was lost, we did receive certified funds covering the checks which we were holding.

It is certainly not my intention to

---

**F**OLLOWING his stint in the Navy, Harold C. Gibson in 1946 returned to Washburn University in Topeka and was graduated in 1949.

*Came a period with Spencer Chemical Company, first in the accounting department and then as assistant credit manager.*

*In the spring of last year he joined Chemagro Corporation, Kansas City, Mo., as credit manager.*

---

say that any company, at least in our part of the industry, can operate with only these "over-night" accounts. We, like other companies, have our solid, long-standing accounts which we must assume will be with us for years to come.

The case which we have presented here is living justification of our faith in the treasurer of Company X, which was actually our only basis for accepting the credit. We received all our money.

#### **Business Has Done A Poor Job Selling Free Enterprise: Bimson**

Business has done "a poor job of selling the free enterprise system," Carl A. Bimson, president of the American Bankers Association and head of Valley National Bank, Phoenix, told Colorado bankers.

"No one needs profits in business as much as the worker who needs a job or wants to keep the one he has," said Mr. Bimson, yet too many people have never been told that "it is out of the incentive to make a profit that the United States is able to provide over 65 million jobs". And "too few people recognize the danger of looking to the federal government to do for them what they might better and less expensively do for themselves".

#### **Guides to Company Control of Employees' Conflict of Interest**

Five steps to avoid conflict of outside personal financial interest, or other relationship, of officer or key employee that could be antagonistic to the welfare of the company were proposed by Thomas G. Higgins, senior partner in Arthur Young & Company, New York, addressing the Southern Conference of the Controllers Institute of America, in Houston.

Mr. Higgins, speaking on "Ethics for Today's Business Society", suggested the need of a written policy, appointment of a senior executive whom the employee can consult, a continuing educational process, communication by top executives on the company's stand on specific issues, and finally, internal checks and controls for prevention and detection.

---

*The first step in making your dreams come true is to walk up.*

—N. A. Rombe

---



## ***Keep merchandise moving... get credit data fast... by Long Distance***

Checking credit by Long Distance provides an on-the-spot "green light." Your sales force can move quickly to close sales and fatten orders.

Telephoning helps keep mer-

chandise moving, reduces inventory problems, speeds collections.

Put Long Distance to work for your business! You'll have the head start needed to get the jump on competition.

**BELL TELEPHONE SYSTEM**



Long Distance pays off!  
Use it now... for all it's worth!

# THE SCOREBOARD:

## 19 Forecast Production Index Exactly;

### Dozen within Half Point on Wholesale

THE SUSPENSE is over as scores are tallied in CREDIT AND FINANCIAL MANAGEMENT readers' annual game of "guesstimating" (back in November) what the Wholesale Price Index and the Industrial Production Index would be at mid-1961.

A Nineteen CFM executive-readers forecast precisely that the Industrial Production Index figure at mid-1961 would be 110. Two runners-up came within 5/10ths point of this figure. Geographically, Tennessee leads the sampling with five out of 19 winners. Four of the five are from Memphis, one is from Chattanooga. The only woman to rate among the winners,



MRS. CLINE

Mrs. Lucretia D. Cline, is from Memphis. Long noted for natural wonders, Tennessee now may take a new bow.

In the Wholesale Price Index category there was no bulls-eye scoring but twelve forecasters predicted the midyear figure of 118.2 within one-tenth to five-tenths point, either way. Hardly a record to be little when the price trends of over 2,000 commodities must be weighed.

By states, Pennsylvania ranks second in the Industrial Production Index category with four winners and one runner-up. Pennsylvania places first in the Wholesale Price Index category with three runners-up.

Company titles of winning and runner-up participants include 2 presidents, 7 vice presidents and assistant vice presidents, two managers, one branch manager, six treasurers and assistant treasurers, four secretary-treasurers, one secretary-con-

troller, one secretary, nine credit managers.

Ten "winners" are holding or have held honorary posts in the national or local credit association, such as president or director, or as chairman of the Industry Group. A number of them hold awards, including Fellow Award National Institute of Credit and Executive Award of NACM Graduate School of Credit and Financial Management.

Some are "repeaters," that is, they have been winners or earned honorable mention in previous years' index forecasting.

#### INDUSTRIAL PRODUCTION INDEX 110

One hundred and fourteen credit-financial management executives participated in the CFM poll which was published in the January 1961 issue (p. 14). Collectively they forecast the Industrial Production Adjusted Combined Index would read 110.4 by July 1, 1961. Actual figure: 110. At the time they projected their forecast, this index hovered around 106, having worked into its recession slide from the 1960 peak of 110 (July).

Winners in this category:

MRS. LUCRETIA D. CLINE, customer accounts supervisor Choctaw Inc., Memphis, Tenn.

A. J. MEYERS, branch manager Miller-Bryant-Pierce, Smith-Corona Marchant supply dept., Memphis.

FRANK J. ROMEO, assistant vice president, First National Bank of Memphis.

H. B. BENSON, president Road Builders Equipment Co., Memphis.

H. H. SWAFFORD, assistant treasurer and credit manager Duff Bros. Inc., Chattanooga. Mr. Swafford served as president NACM Cherokee Unit in 1960.

W. P. COVINGTON, president Ace Electric Supply Company, Jacksonville, Fla.

B. C. ZIPERN, secretary and controller Red L Foods Corporation, Great Neck, N.Y. Mr. Zipern is past chairman National Frozen Food Processors Group, and in March '58 his "Management at Work" article appeared in CFM (p. 14). He won honorable mention in the Wholesale Price Index category in 1958.

G. J. TIMONE, general credit manager American Oil Company, New York, N.Y. (Article on company as warehouser in CFM August 1953, p. 24.)

D. D. KELLY, secretary-treasurer The Galigher Company, Salt Lake City, a director NACM.

K. J. FORSHEE, general credit manager National Lead Company, San Francisco, past president National Institute of Credit, Los Angeles Chapter, past president Building Material Dealers Credit Association, author of article "Every Letter a Sales Letter" (CFM Feb. 1960, p. 18.) Mr. Forshee in 1955 won honorable mention in the IPI category.

FRANK P. GLENN, secretary Camden Lime Company, Camden, N.J.

R. E. McDANIEL, general credit manager Certain-teed Products Corporation, Ardmore, Pa.

THOMAS TAIT, credit manager Abbotts Dairies, Philadelphia.

HAROLD H. BERG, vice president and treasurer Dakota Electric Supply Company, Fargo, N.D. Mr. Berg in 1953 was winner in the Wholesale Price Index category.

V. E. CUMMINS, general credit manager The Mead Corporation, Dayton, Ohio. While stationed in Cincinnati, Mr. Cummins served as

director of the Cincinnati Association of Credit Management. He holds the Fellow Award, National Institute of Credit.

G. W. STAFFORD, secretary-treasurer The L. A. Benson Company, Baltimore. Mr. Stafford is past president Baltimore Association of Credit Men (1959-60). Mr. Stafford last year won honorable mention in the Wholesale Price Index category.

J. M. HEPPENSTALL, vice president and treasurer Birdsboro Corporation, Birdsboro, Pa.

J. W. SATTAZAHN, credit manager Scott Paper Company, Chester, Pa. Currently serving as National director, Mr. Sattazahn was president of Credit Management Association of Delaware Valley, Philadelphia, 1959-60.

A. PAULY, office and credit manager Samuel Cabot Inc., Boston, past president New England Association of Credit Executives, 1959-61. Mr. Pauly authored the "Management at Work" article published in CFM January 1960, p. 18.

"Honorable mention" goes to these two runners-up in the Industrial Production Index category, whose forecasts were only 5/10ths point off the midyear figure:

I. L. HILLMAN, treasurer Dravo Corporation, Pittsburgh. Mr. Hillman, a National director, won honorable mention in both Index categories in 1957.

J. ROY PIERSON, vice president Thomas Field & Company, Charleston, W. Va., past president West Virginia Association of Credit Management.



I. L. HILLMAN



S. F. SAYER



D. D. KELLY



J. W. SATTAZAHN

Cleveland Association of Credit Management, won honorable mention in the WPI category last year.

S. F. SAYER, vice president First Pennsylvania Banking & Trust Company, Philadelphia. Mr. Sayer is director NACM and past divisional vice president.

MILTON TSCHACHE, treasurer and credit manager Columbia Elec. & Manufacturing Co., Spokane, Wash. Mr. Tschache is past National director NACM.

F. J. HERTEL, assistant treasurer Elgin National Watch Company, Elgin, Ill.

F. J. HAMERIN, secretary-treasurer Lilly Varnish Company, Indianapolis, past National director and national vice president. Mr. Hamerin won honorable mention in 1959 and 1960, making this his third consecutive year for near-perfect scoring in this category.

That credit and financial management does closely interpret business trends is evidenced by the fact that the average of predictions for mid-1961 was 4/10ths point above the actual Industrial Production adjusted combined Index, 1.5 points above the more critical Wholesale Price Index for all commodities. While no doctor would attempt to measure the heartbeat of a patient a week, even 24 hours ahead, the credit-financial executive must strive to measure on a long-range basis the "constantly adjusting, delicately balanced mechanism" that is our economy.

#### WHOLESALE PRICE INDEX 118.2

Collective estimate of CFM reader participants in the annual poll was that the mid-1961 figure in this category would be 119.7. Actual: 118.2. At the time of their forecast last November, this index was 119.6.

"Honorable mention" goes to these runners-up in the Wholesale Price Index for All Commodities whose forecasts ranged from 1/10 to 5/10ths point of the released figure:

W. C. PICFORD, secretary-treasurer C. E. Thompson Lumber Company, Memphis.

WILLIAM A. HESS, manager Brown Bros. Harriman & Company, Philadelphia.

W. L. HOLMES, assistant treasurer Schlumberger Well Surveying Corporation, Houston, Texas, past president National Association of Credit Management.

E. H. SCOTT, vice president and controller Detroit Edison Company, Detroit. Mr. Scott won honorable mention in the IPI category in 1958 and again in 1959.

K. M. KRAICHNAN, general credit manager The Budd Company, Philadelphia.

H. B. SIMPSON, vice president and director of credit sales The American Lubricant Company, Dayton, Ohio. Mr. Simpson won honorable mention in the IPI category in 1956.

R. J. HUFFMAN, manager credit dept. American National Bank & Trust Company, Chicago.

H. C. COGAN, treasurer Parker-Hannifin Corporation, Cleveland. Mr. Cogan, a past president of the

| Midyear Index Figures Last Five Years     |        |
|-------------------------------------------|--------|
| Wholesale Price Index for All Commodities |        |
| (Bureau of Labor Statistics)              |        |
| av. 1947-49 is 100                        |        |
| 1957                                      | 117.4  |
| 1958                                      | 119.2  |
| 1959                                      | 119.7  |
| 1960                                      | 119.5  |
| 1961                                      | 118.2* |

| Industrial Production Adjusted Combined Index |                               |
|-----------------------------------------------|-------------------------------|
| (Federal Reserve Bank)                        |                               |
|                                               | 1957 avg. 100                 |
| 1957                                          | (base has since been revised) |
| 1958                                          | (base has since been revised) |
| 1959                                          | 110                           |
| 1960                                          | 109                           |
| 1961                                          | 110*                          |

\* Preliminary.

#### SBA Loans to Small Business In Half Year at All-Time High

Aid given small firms through each major program of the Small Business Administration was without exception greater in the first half of 1961 than ever before, says Administrator John E. Horne. The accelerated programs were launched in line with President Kennedy's goals of recovery for economically depressed areas and speedup of the national economy growth.

In the half year SBA licensed 128 additional investment companies. It approved 3,068 business loans for \$154,170,000, a 47 per cent increase. There were 22,361 Government contract awards totaling \$746,827,443. SBA approved 37 loans for \$4,480,000 to local development companies, two loans for \$490,000 to state development companies.

# *Talking Convincingly to Customers*

## *By Personalizing Friendly Letters*

OVER 50 per cent of the credit executive's work takes its final shape in correspondence, notes Kenneth V. Smith, assistant treasurer and credit manager Eberhard Faber, Inc., Brooklyn, N.Y. "It is through this medium that he gets to know his company's customers, their problems and their individual credit situations. It is through this correspondence that he presents to customers the image of his own company, its policies and its interest in the individual customer. The kinds of letters he writes, their tone as well as their content and timing, is one of the company's most important assets in building good, long-term customer relations.

"The letters sent out by the credit executive have multiple and positive functions. The popular conception that the credit executive contacts cus-

tomers only to collect past due accounts is not only misleading but ignores completely his role as business consultant, financial adviser, and a friend who works conscientiously for the customer's business success.

"For example, at Eberhard Faber we sell to commercial stationers, jobbers, wholesalers, school suppliers, and chain and variety stores. Each of these categories presents particular challenges to the creditman, who must understand the changing marketing situation for each, the seasonal trends, the regional peaks and lows, and the kinds of cash and credit policies peculiar to each business. Within these categories, the creditman knows the individual customers through phone calls, correspondence, and continuous liaison with the sales department.

"The credit executive must be alert to economic trends and conditions, locally and nationally. He also must be informed as to the policy of his company so that credit properly fits into the manufacturing, sales and marketing picture. Without a firm company policy upon which to rely, the credit manager's task becomes confused, if not impossible.

### *Personalized Communication*

"Equipped with this information, the credit executive is in a position to help his company maintain the largest volume possible with a minimum amount of losses. From the vantage points afforded by firm company policy and broad personal knowledge, he can educate the customers to accept and understand the company credit policy, counsel the customers in the solution of their financial problems, befriend the customers so that a long-term relationship is created and enthusiastic support for the company's products is insured.

"Just how effective the credit executive is in performing these functions and in representing his company to the customer depends upon the manner in which he communicates with the customer.

"We all know that it is possible to make a collection and lose a customer. The best policy, however, is to make a collection *and* make even a better, more enthusiastic customer. This depends a great deal on the manner of approach. Counseling, educating, befriending become meaningless if we do not build sympathy and understanding for our point of view and 'get across' to the customer."

Mr. Smith explains the effective approach.

"At Eberhard Faber, we try to per-



**FACILITATING FRIENDLY PERSUASION**—At Eberhard Faber, Inc., Brooklyn, N.Y., assistant treasurer and credit manager Kenneth V. Smith finds that talking customer correspondence into the Edison Voicewriter dictating-transcribing machine helps him achieve more effective personal-tone letters.

sonalize our relationships. In this way, we believe we get optimum reception for our ideas, requests and advice. Each letter takes the form of a friendly chat with the customer, treats him as an individual whose problems and opportunities are truly of concern to Eberhard Faber.

#### Refreshing Tone

"To avoid the stereotyped approach, we dictate these letters on our Edison Voicewriter, after we have studied the customer's statement and discussed his situation with the sales department. With the facts fresh in our mind, we can talk to him in a friendly, informed manner and convey our concern for our mutual interests."

"Credit is too important a factor in maintaining customer goodwill to be treated in a routine manner," Mr. Smith avers. "By 'talking' to our customers in our correspondence, we can elicit all the information we require or enlist the cooperation we need in a personal manner. A 'man-to-man' tone is conveyed, and we get respectful attention for a firm, friendly credit policy because we present it

in a manner acceptable to the businessman.

"We also find that when we 'talk' our letters, we avoid stereotyped phrases worn thin with use. By using simple, basic 'talk' sentences, we can prevent misunderstanding and convey our sincere interest in the customer.

"This same 'talk' method is valuable in analyzing reports. By making observations into our dictating unit as we go along, we bring a more immediate and vital approach to analysis. As opposed to 'accumulating' observations until a report is gone through completely, this method encourages fuller step-by-step study of every aspect of the report and affords more complete information upon which to base recommendations.

"Far from being a negative function, the credit executive's job in today's expanding economy is a positive force in maintaining volume and good customer relations." Mr. Smith concludes: "It is also a most rewarding job, in that one of its main functions is being able to help customers to succeed."

*The fellow who rolls up his sleeves seldom loses his shirt.* —N. A. Rombe

#### GNP Rate Fell \$5.5 Billions From Pre-Recession '60 Peak

A drop of \$5.5 billions or 1 per cent from the \$505 billion annual pre-recession peak of a year ago (2 per cent, in "real" terms after adjustment to the intervening price rise) was estimated for the first quarter Gross National Product (total production and services) in the Economic Indicators report of the Joint Economic Committee of Congress. The total was \$499.5 billions as against \$503.5 in the preceding quarter.

Personal consumption declined (\$2 billions) for the first time since the recession began, and the rate of reduction of inventory was more pronounced.

In the first period last year inventories, except farms, were rising at a \$11 billion annual rate. In the like quarter this year there was a cut-back at a \$4.7 billion rate.

**pwb + ra + Hfw =**  
(PROGRESSIVE  
WESTERN BANKS)      (REPURCHASE  
AGREEMENTS)      (HASLETT  
FIELD WAREHOUSING)

**MORE SALES FOR YOUR WESTERN DISTRIBUTORS  
... AND YOU!**

Several progressive western banks are now prepared to finance expanding Western distributors, through supplier repurchase agreements and Haslett Field Warehousing. This combination can supply your distributors with the stocks they should carry while, at the same time, leaving your company's capital free from the burden of the financing. Write Haslett today for full details of the plan that assists Eastern manufacturers in arranging safe distributor financing.

**H**  
Since 1878      **ASLETT**  
FIELD WAREHOUSING

680 Beach Street  
San Francisco, California  
Telephone: PRospect 6-0270  
SAN FRANCISCO • LOS ANGELES • PORTLAND



# Know Your National Association—

*When you face an administrative or technical problem that requires more facts or study on which to base a decision, you may be helped to the right answer through one of the many . . .*

## Part VI

## PUBLICATIONS OF THE NACM

**A**RE there credit transactions on your desk right now awaiting action because they require checking other company practices or specialized data? Is there a nagging administrative problem or procedure on which you would like more information?

The general guidance or specific answer you need may well be in one of the NACM's many member publications—books, pamphlets, periodicals, research reports, and surveys of ways in which many companies handle common, but recurring, credit problems.

The NACM has been a clearing house for credit and financial research, information, practices, and principles since its earliest days. The founding bylaws in 1896 described one of the Association's basic purposes as the "diffusion of information, the gathering and dissemination of data in relation to the subject of credits." The most recently adopted NACM bylaws emphasize anew one of the NACM's most important member responsibilities: "to disseminate useful and instructive information with respect to the technique of credit granting."

New publications are constantly under development to meet credit executives' needs in a business world of increasing innovation, stepped-up technological change, and more scientific management. Other publications, serving basic and continuing needs,

are kept in print because of member demand.

Here are the NACM publications available to you immediately. Check the list to be sure that you have the latest thinking, experience of others, and available information on what may be some of your most perplexing technical or managerial problems . . .

### *Available from the Credit Research Foundation, Inc., research and educational affiliate of the NACM:*

#### **CREDIT MANAGEMENT HANDBOOK**

—Compiled under the direction of the Credit Research Foundation and published in 1958, this handbook is the authoritative reference source for every aspect of credit management. It was written by 108 practicing credit executives, management consultants, college instructors, and experts on the NACM executive staff. It combines theory and practice. It presents the vital principles of credit management and their practical applications by experienced credit managers.

The handbook is designed to guide credit managers in every possible phase of their job and to help them develop junior executives on their staffs. It is also designed as a single basic and comprehensive credit textbook for college students preparing for credit careers.

Under 29 chapter headings, the handbook discusses basic credit principles, policies, practices, and problems. Among these: credit investigation and appraisal; credit decision-making; credit department staffing, training, and organization; credit department systems and procedures; legal aspects of credit; negotiable instruments; credit insurance; terms of sale; credit

reports and reporting agencies; the credit manager's role as a business advisor and rehabilitator of distressed debtors; traditional and new techniques of financial analysis; and many other skills and subjects that the successful credit manager must know.

[776 pp. \$12.00 per copy.]

#### **ANALYSIS AND EVALUATION OF CREDIT MANAGEMENT FUNCTIONS**

—CRF sponsored this research project to realize three principal objectives: (1) To define the significant differences in responsibilities and personal requirements for different types and levels of credit management positions; (2) to provide plans and procedures by which a company may properly evaluate its credit positions and appraise the performance of its credit personnel; and (3) to furnish an objective basis for evaluating the status of credit management in comparison with that of other management functions.

The resulting report summarizes data on the credit positions in 162 companies representing a cross-section of industry. Job descriptions, position ranks, and performance appraisal procedures are analyzed in detail. The study was made by an outside management consulting firm to assure impartiality and objectivity.

This research report is a valuable source of data for credit personnel administrators and for credit executives with responsibility for employee selection, placement, development, and promotion.

[298 pp. CRF members, \$1.00 per copy. Non-members, \$1.50 per copy.]

#### **A BIBLIOGRAPHICAL LISTING ON EQUIPMENT LEASING**

—Whether to lease or buy equipment is a question on the minds of many executives concerned with controlling and reducing company operating costs. To help the busy execu-



# And How It Serves You

tive in his quest for information on this subject, the Credit Research Foundation has compiled a bibliography of the more important and practical writings on equipment leasing by experts in the field.

[16 pp. CRF members, \$1.00 per copy. Non-members, \$2.00 per copy.]

**THE CREDIT EXECUTIVES' OUTLOOK**—Published annually in December, this report is based on a survey among credit and financial executives from industry and banking by the Credit Research Foundation. It serves as a sounding board for credit executives to air their views on future economic trends and conditions, and to learn how their counterparts in other companies expect to meet the problems and conditions anticipated in the coming year.

[1961 Outlook, 6 pp. CRF members, \$75 per copy. Non-members, \$1.50 per copy.]

## CREDIT MANAGEMENT AND THE STRONG VOCATIONAL INTEREST

**TEST**—Dr. Edward K. Strong of Stanford University devised the Vocational Interest Test as an aid to companies in selecting employees and as an aid to individuals in selecting careers. The test permits users to compare an individual's pattern of interests with the composite pattern developed from successful men in given occupations.

Credit management interest patterns were developed through the cooperation of 515 representative and outstanding credit personnel in more than 150 companies and financial institutions. In 1958, credit management was added to the Strong Vocational Interest Test.

This pamphlet describes the Credit Research Foundation's collaboration in this research project and the ways in which the test can be used in personnel and vocational selection.

[16 pp. No charge.]

**CREDIT ORIENTATION AND TRAINING FOR SALESMEN**—Credit executives have frequently emphasized the importance of a closely working relationship between credit and sales personnel, and have expressed corresponding interest in programs of credit orientation and training for salesmen.

To ascertain just what various companies are doing to orient salesmen to the

function of the credit department—and how these activities are looked upon by the credit executives concerned—the Credit Research Foundation surveyed its membership with an informal letter-type questionnaire. This report is based upon 157 replies to that questionnaire, and upon follow-up interviews with several respondents.

The first section of the report analyzes the answers to each of the six questions asked, and the second describes some representative credit manuals for salesmen, selected from 40 examples submitted. The final section examines the general findings, particularly the underlying philosophies of credit-sales relations.

[18 pp. CRF members, \$1.00 per copy. Non-members, \$2.00 per copy.]

**CURRENT TRENDS IN THE PRACTICE OF CHARGING INTEREST ON PAST DUE ACCOUNTS**—How widespread is the practice of charging interest on past due accounts, and what are some of the advantages and disadvantages? This report presents the findings of a Credit Research Foundation survey of 180 manufacturers and wholesalers in 24 industries.

The survey was made to determine: (1) The extent of the practice of charging interest on past due accounts; (2) whether the interest charge is stated in published terms and treated as mandatory policy; (3) procedures followed in administering interest charges, and the relative advantages and disadvantages; and (4) the effects of the practice on sales volume and receivables turnover.

[4 pp. CRF members, \$.50 per copy. Non-members, \$1.00 per copy.]

## CUSTOMER COUNSELING (Summary California Workshop-1959)

Fifty-six credit and financial executives attended this Credit Management Workshop to discuss five basic questions related to the credit manager's role as business advisor: What is meant by customer counseling? Why do it? When do you counsel customers? How do you do it? What attributes are desirable in a customer counselor?

The conference consensus on each question is summarized by a different discussion leader, with supplementary contributions by workshop participants.

[14 pp. CRF members, \$.50 per copy. Non-members, \$.75 per copy.]

## CUSTOMERS — YOUR MOST IMPORTANT ASSET (Summary California Workshop-1960)

This booklet gives a composite of the summaries presented by the discussion leaders of the sixth annual Credit Management Workshop sponsored by affiliated local credit associations in California. Focus is on the skills required to do effective customer counseling, how to determine the need for customer counseling, how to improve on-the-job counseling performance, how to make better use of customer counseling, and the essentials of an effective program of continuous customer counseling.

[14 pp. CRF members, \$.50 per copy. Non-members, \$.75 per copy.]

## FINANCING INDUSTRIAL EQUIPMENT LEASES

Alexander P. Celia, assistant vice president, Bank of America, NT&SA, San Francisco, is the author of this study. It was submitted originally as a Management Study Report in partial fulfillment of the requirements for graduation from the Graduate School of Credit and Financial Management. Since 1946, Mr. Celia has been engaged in the handling of equipment lease financing at his bank.

The report explores the most advantageous methods for a lending agency to finance lease transactions that will provide the agency the greatest yield for dollars loaned, with the greatest safety. Since problems and solutions covering lease-versus-purchase have been the subject of many published articles and works, this report is primarily concerned with entrance into the field when financing is sought by the lessor.

It does, however, discuss leasing programs, since a clear understanding of these is necessary to evaluate financing methods properly.

[48 pp. CRF members, \$2.00 per copy. Non-members, \$3.00 per copy.]

## GUIDE FOR THE ESTABLISHMENT OF A CREDIT DEPARTMENT

Building sales through the acceptance of credit has become so much a part of effective business management that, more and more, businessmen are asking, "How do I go about starting a credit department?" Inquiries like this, usually from small business owners and managers, prompted the Credit Research Foundation to prepare this study.

The guide discusses the principles involved in setting up a credit and collection

department for a mercantile credit operation. It purposely avoids describing detailed procedures for operation and maintenance of the credit department, since these are largely a matter of adaptation by management to fit each business individually.

Suggested uses of the booklet: to assist credit managers in customer counseling; to provide the sales department with an insight into the role played by the credit department; and to distribute to customers who may be considering the establishment of a credit department.

[14 pp. CRF members, \$1.00 per copy.  
Non-members, \$2.50 per copy.]

**METHODS OF CALCULATING RESERVES FOR DOUBTFUL ACCOUNTS**—This pamphlet reports a survey among 145 companies that maintain bad debt reserves. Examined are the company methods and formulas used to establish such reserves. The surveyed companies are predominantly manufacturers and relatively large—nearly half of them report annual sales of more than \$100 millions.

[8 pp. CRF members, \$.75 per copy.  
Non-members, \$1.25 per copy.]

**PUNCHED CARD SYSTEMS IN CREDIT DEPARTMENT AND ACCOUNTING OPERATIONS**—Transcript of a panel discussion at the 61st Annual NACM Credit Congress, this pamphlet presents four credit managers' experience with receivables on punched cards. These case histories of three manufacturing companies and one cooperative warehouse dramatize some of the major advantages and problems credit departments encounter when they install punched card systems.

[10 pp. CRF members, \$.50 per copy.  
Non-members, \$1.25 per copy.]

**SMALL BUSINESS INVESTMENT ACT-1958**—Approved by Congress in 1958, this Act established a Small Business Investment Division within the Small Business Administration to charter, regulate, and examine small business investment companies to provide development funds for small business. The Credit Research Foundation pamphlet summarizes the Act's major provisions and effects for interested credit and financial managers with limited reading time.

[6 pp. CRF members, \$.75 per copy.  
Non-members, \$1.50 per copy.]

**SOME "TRICKS OF THE TRADE" IN CREDIT AND COLLECTIONS**

Credit executives often develop unique methods of completing credit transactions to increase profitable business. The Credit Research Foundation surveyed its members to learn some of these "tricks of the trade" of interest to other credit and financial managers.

Among the techniques described: three "twists" successfully used to increase volume through marginal accounts; some unusual uses of negotiable instruments, guarantees, and field warehousing; several



novel collection techniques that have brought results.

[8 pp. CRF members, \$.75 per copy.  
Non-members, \$1.50 per copy.]

**TRAINING FOR CREDIT MANAGEMENT**—This booklet examines and analyzes on-the-job credit training activities used by large industrial organizations to develop new credit personnel more quickly and efficiently into responsible credit decision makers.

The report is based on field research in 25 companies in four states and additional information from a mail questionnaire survey of 70 companies in 19 states.

[96 pp. CRF members, \$1.00 per copy.  
Non-members, \$1.50 per copy.]

**Available from the NACM Publications Department:**

**CREDIT MANUAL OF COMMERCIAL LAWS**—One of the oldest reference works regularly published by the NACM for credit management, this annual summary of commercial laws affecting credit transactions made its first appearance in 1908 as a section of *The Credit Diary*. Need and demand have required annual revisions since, and the CREDIT MANUAL is now published every fall to incorporate the latest changes in business legislation made by state legislatures and Congress in the year.

Thirty-one data-packed chapters provide credit and financial managers with a quick source of accurate and up-to-date information on laws and regulations that may affect a credit decision or policy. Convenient state-by-state summaries are provided to speed up and simplify checking.

In addition to comprehensive summaries of laws affecting business, each new edition of the volume contains special articles and tables vital to the credit and treasury operation. Typical of the extra features in a recent edition: state taxation of interstate transactions, the pros and cons of

lease financing, a glossary of automation terminology, a review of state installment sales laws, and new Social Security amendments.

[798 pp. NACM members, \$11.25 per copy. Non-members, \$12.50 per copy.]

**CREDIT AND COLLECTION LETTERS: NEW TECHNIQUES TO MAKE THEM WORK**—Richard H. Morris,

author of this practical and authoritative book, has been called by the *Saturday Evening Post* the "nation's leading authority on business letters." The NACM invited Mr. Morris to write this book because of his experience as a correspondence consultant who has written more than 16,000 basic credit letters for many of the nation's leading companies. The NACM sponsored publication in the conviction that this is the best guide to credit and collection letter writing on the market today.

Its 25 chapters offer examples—nearly 200 complete letters that have worked for others—and sound guidance in every phase of the correspondence collection job.

The book is invaluable to the credit manager who wants to train his staff to write more effective collection letters, cut dictating and typing costs, and build customer goodwill and sales volume.

[296 pp. \$5.95 per copy.]

**STANDARDIZED CREDIT FORMS**

Forms for obtaining and recording vital data on credit customers may be costly to produce and print—and even more costly to design. To reduce credit department operating costs and improve record-keeping efficiency, the NACM offers members a number of basic forms for common credit department procedures. These forms have been continually revised and perfected over the years by experienced credit executives and accountants. Currently available: standardized forms for Trade Acceptance, Confidential Credit Application, Account Review, and customer Financial Statement requests—in 15 sizes and varieties. All carry the approval and imprinted seal of the NACM.

[Sample folder, with 15 specimen forms and quantity prices—available free.]

**Available from other NACM Departments:**

**PREVENTING BUSINESS FRAUD**—Fraud may strike any business, anywhere, anytime. It is difficult to detect and technical to prosecute. But it is every credit executive's responsibility to be aware of how fraudulent debtors typically operate and to know what statutory protection is available against commercial fraud.

This booklet, written by the counsel and director of the NACM Fraud Prevention Department, gives credit executives the facts and laws on business fraud. It describes the various types of commercial fraud schemes, the laws under which the offenses may be prosecuted, and remedies and preventive action which are available to the credit grantor. It is intended to help credit management avoid misconceptions of

law and procedure when dealing with fraudulent debtors.  
[24 pp. \$1.00 per copy.]

**LEGISLATIVELY SPEAKING** — This manual was prepared by NACM's Legislative Department primarily for members of the National Legislative Committee and chairmen of local association legislative committees. It tells the story of the Association's legislative activities and accomplishments since 1896, how to start a legislative committee, how to launch a bill, how to present members' views to legislatures, how to write Congressmen, how bills become law, and how to enlist public support for desired legislative action. While designed to help legislative committees work more effectively, the pamphlet will be of interest to every NACM member concerned with business law making.

[20 pp. Legislative committee chairmen, free. Others, \$.50 per copy.]

#### HOW TO HELP PUBLIC RELATIONS

**HELP YOU**—Prepared by the NACM Public Relations Department, this handbook is sent to newly appointed chairmen of local association public relations committees. Its purpose: to help those who may not be familiar with public relations techniques and opportunities to improve public relations programs locally. Ten brief sections cover such basic matters as Association public relations objectives, relationships with editors, and tips on writing and preparing professional press releases.

[16 pp. Public relations committee chairmen, free. Others, \$.50 per copy.]

#### NACM Periodicals:

**MONTHLY BUSINESS LETTER**—Issued on the fifteenth of each month by the NACM, this business news letter reviews economic trends in the making, Government actions on the economic front, fiscal and tax developments, and virtually any other matter of potential significance to the administration of credit and company finances. Its circulation of more than 42,000 includes NACM members, major editors of the nation's daily, trade, and business press, U.S. Senators, and other opinion leaders.

[Included free with most NACM memberships. Others, \$2.00 per year.]

**CREDIT AND FINANCIAL MANAGEMENT**—Official magazine of the National Association of Credit Management, this publication is sent monthly to every member as one of his membership privileges and benefits. The magazine features exclusive articles by recognized authorities on subjects of current concern to credit, financial, and other administrative executives. Also regularly published are practical articles of value in the daily administration of credit. Association announcements and news, local and national, are reported. Department features keep members up-to-date on Washington developments, new legal rulings and opinions, case histories of successfully solved credit management problems, book reviews, and new office

equipment. Special issues treat such subjects as insurance and office equipment and management.

[Members, free with membership. Others: \$5.00 per year; \$.50 per copy.]

All the above listed publications are available from the National Association of Credit Management, 44 East 23rd Street, New York 10, N. Y. Discount prices for quantity orders are available on request.

#### Sees New Highs But Doubts Full Capacity Volume Is Near

The economy is "clearly headed for new post-war highs in most fields" with no likelihood of downturn in many months to come, but "whether the trend will soon carry us to full capacity volume seems very doubtful indeed", says Matt S. Szymczak, former member of the board of governors of the Federal Reserve and now consultant for C. J. Devine and Company, New York.

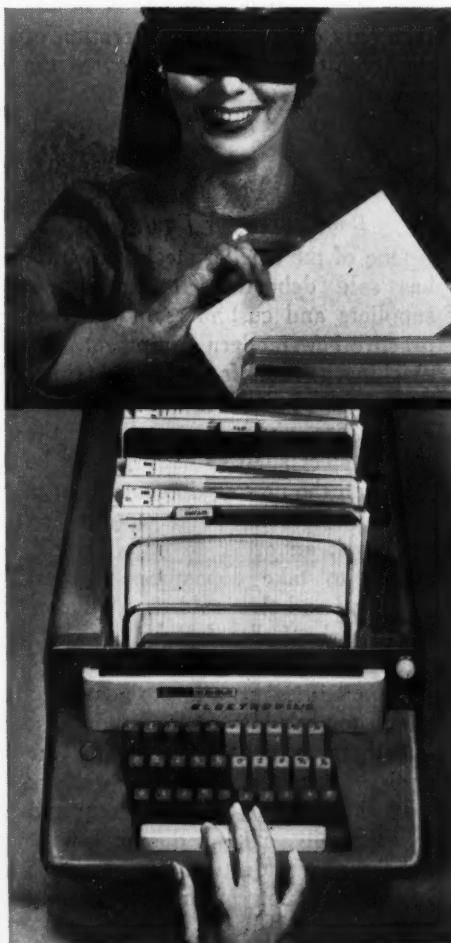
Calling the current recovery un-

like any that preceded it, Mr. Szymczak told a management policy conference of the Kentucky Bankers Association that the days when a banker needed to be concerned with only his own bank are gone forever. "We must be government conscious", he said, "conscious of our national and international economic and political problems . . . No longer is it good enough for our balance of payments position to be sound; it must be seen and judged to be sound."

#### Nichols Urges Uniform Truck Laws on Interstate Roads

Today's "checkerboard legal patterns" are costing truck operators millions of dollars annually, says B. J. Nichols, general manager of Dodge, urging uniform minimum national length and weight standards.

While paying millions in taxes into the federal highway fund, truck operators are restricted by states' legislative actions from reaping full benefits from the interstate program, Mr. Nichols charged.



#### File at Random

Acme Electrofile ends time-consuming alphabetical or other sequence filing. You can refile blindfolded! Misfiling of cards is impossible.

#### ...Find at Once!

Touch the keyboard—it automatically selects the ledger card you want. Or "recall" an entire card group: past due, "broken promise" or dealer accounts. Automate your records! Send coupon today.

#### ACME VISIBLE

ACME VISIBLE RECORDS, INC.  
9009 West Allview Drive, Crozet, Va.

Tell me how Acme Electrofile soon pays for itself in saving filing time and speeding customer service.

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_

# Sales Through Unusual Credit Arrangements

*Require Careful Analysis, Constant Follow-up, Collateral Checking*

By A. DOUGLAS HANNAH  
*Executive Vice President and  
Treasurer*

*J. H. Hillman & Sons Company  
Pittsburgh, Pennsylvania*

**W**HETHER sales are through unusual credit arrangements is a matter of degree or the times. In the first few years after World War II most manufacturing concerns were able to be very strict in their credit standards and still sell the output of their plants. Since 1958

there has been a noticeable relaxing of credit requirements or extension of lines of credit in order to stimulate business and keep our expanded plant capacities busy.

With a company in the river barge construction field, I have seen a change from cash upon delivery to five-year payments supported by preferred ship mortgages or bailment leases: first 20 per cent down, then 10 per cent and now, sometimes, nothing down. Five-year terms have been extended to seven years and, in some instances, ten years. There are many A-1 credit companies that prefer to lease this type of equipment, and we find ourselves working with independent equipment leasing corporations in making sales proposals.

## *Suggest 20-Year Leases*

Now we have some potential customers who want our company to lease the barges over a 20-year period, on the theory that we shall not be required to add a service fee as the leasing corporations must do. Because of this demand for this type of financing, many leasing corporations are being formed, and older finance companies are entering the leasing field.

What it narrows down to is that many companies would like to add to their capital equipment account, and the supplier of equipment that

can provide long-term credit, either directly or indirectly, has probably the best chance of making the ultimate sale. There have been instances where the company making the sale of equipment has had to help the potential customer sell debentures or notes secured by a lien on the new equipment.

Newly designed equipment sometimes requires unusual credit arrangements for sale in competition with equipment of proven performance. Some large furnaces have been sold on a nothing-down contract, with payments to be made over the ensuing years from the savings that accrue as compared to former more costly operating techniques. This can be worth the credit risk if the company producing the new equipment is absolutely certain its machinery or apparatus will have lower operating costs than former methods. It should take only one successful operation of this type to prove superiority of the equipment, and so future sales on more regular terms should be possible.

## *Debentures for Equipment*

One of the smaller steel companies has sold debentures to equipment suppliers and customers in order to procure new modern equipment. The machinery manufacturers obtained the equipment orders and the customers were given first call on the special steel shapes that were to be rolled on the new equipment. A large local engineering and contracting firm took an order to build a mill, agreed to take debentures as part payment, and then sold their subcontractors the bulk of them.

In the oil field equipment industry, it is sometimes necessary to guarantee the customer's loan at his local bank, but there is always a lien on the equipment, so that the manufacturers may have to take it back, if required to. Naturally, a bank does not want to take over industrial equipment as it could count on realizing only scrap value.

**F**ROM Carnegie Steel Company following graduation from Princeton University, A. Douglas Hannah was in various businesses before becoming a vice president of Colonial Trust Company of Pittsburgh, which later merged into Fidelity Trust Company and thence into Pittsburgh National Bank.

Mr. Hannah became associated with J. H. Hillman & Sons Company and is now executive vice president, treasurer and a director.

Of the many manufacturers of vending machines which have seen their business expand beyond their credit limitations, a few resourceful ones have gone to certain food product companies for indorsement of their equipment paper, in order to make certain their products are distributed through these machines.

Selling new houses on 10 per cent down terms seems to be common practice, and yet most of these houses do not qualify for such an FHA mortgage. What happens in many instances is that the builder makes arrangements with a Savings & Loan institution to advance to the builder only 80 per cent of the selling price but enters into a 90 per cent mortgage agreement with the home buyer. Then over the next three to five years the loaning institution returns to the builder the payments applied against principal until the 10 per cent hold-back is repaid. During this period the builder receives interest on the unpaid portion of his 10 per cent retention.

Foreign sales have been helped materially by giving up the requirement of confirmed letters of credit and being more lenient on foreign companies that have good credit ratings, by using documentary sight drafts, 30-day drafts, open account; five year term paper (as in sales of new machinery to the Philippines and Brazil); foreign bank guaranties, selling export paper to such institutions as

Chemical International Finance, Ltd., or helping the customer obtain loans or financial assistance from governmental organizations such as the Inter-American Development Branch, which was organized for promotion of heavy capital investment in South America; the Export-Import Bank of Washington, which aids in financing exporters and importers in foreign trade; and the International Bank for Reconstruction and Development, which functions as a source of credit for long-range reconstruction by financing industrial and agricultural machinery purchases and the like.

There are many, many types of secured transactions that can be used to promote sales, for example, mortgages, chattel mortgages, bailment leases, equipment trust certificates or receipts, assignment of accounts receivable, inventory loans—often through field warehousing, use of judgment notes, factors liens, mechanic liens, bonds, debentures. In every business many of these credit mediums are normal, but in others their use is unusual or unorthodox.

Comes the 64 dollar question! Does the customer deserve and warrant special or unusual credit terms? Here the credit manager must really apply all the known tests available. To be specific, he must assure himself that the customer has the desire and ability to make the repayment. This does not necessarily mean AAA credit standards, for otherwise not many of these special sales would be made, but it does mean there must be very careful analysis. It also means constant follow-up and checking of collateral.

### ***Openings in Finance Fields***

The 400 per cent increase in 20 years in the number of loans made by commercial finance companies, to a current annual volume of \$15 billions, is opening up many challenging executive positions, says Thomas Leforge, chairman National Finance Conference and president Commercial Discount Corporation.

*Some of the world's statesmen are capable of nothing; and some of them are capable of anything.*  
—Dublin Opinion

—Dublin Opinion

A vertical bar chart with two bars. The left bar is a rectangle with a horizontal line extending from its top. The right bar is a rectangle with a horizontal line extending from its middle. A small circle is positioned above the top line.

**you want more  
working capital...**

**you want to move  
more inventory...**

**you just want to take  
less credit risk...**

you need the all purpose  
**CONTROLLED CREDIT DISTRIBUTION PLAN**  
with it you will

- Increase sales volume.
- Reduce credit risk.
- Stock complete line at point-of-sale.
- Eliminate costly consignment and open account losses.
- Supplement working capital requirements.

**For complete information contact our nearest office or mail the coupon today.**

# NEW YORK TERMINAL WAREHOUSE COMPANY

***Operating offices in principal cities***

25 SOUTH WILLIAM STREET, NEW YORK 4, NEW YORK

Without obligation please send me your booklet "A Close Look at Controlled Credit Distribution."

**NAME** \_\_\_\_\_ **TITLE** \_\_\_\_\_

**FIRM**.....

**ADDRESS**.....

**CITY**..... **ZONE**..... **STATE**.....

*The Problem: How to Achieve Expansion to Meet Increasing Demand?*

# Commercial Financing Offers Continuity and Flexibility in Supply of Credit When Needed

By WILLIAM L. ACKER  
*Vice President*  
Associates Investment Company  
South Bend, Indiana

**H**OW does commercial financing serve industry? Assume for the moment that you are the



W. L. ACKER

principal in a small but growing business. Let us further assume that you have hit the jackpot with a new product or a better adaptation of an old product. Your customers like you and they like what you offer. You are becoming literally swamped with orders but you're plagued with problems.

You've got customers by the carload but you lack adequate production equipment. You feel that momentarily you have created goodwill for yourself and your small company but you're drastically short of working capital. Upon objectively analyzing your basic problem you come up with these determinations:

1) Adequate working funds must be secured. 2) Expansion must be provided for.

Adequate working funds give you the flexibility to adjust to changes and the strength to keep moving forward. Sufficient cash balance enables discount of your payables. These discounts represent a tidy saving over a year's operation. Prompt payment of bills establishes a line of credit with suppliers for future or seasonal needs.

Adequate working capital enables purchase of raw materials at the right time and at the right price. Adequate stocks of finished goods permit you to give prompt service.

From an address at the Cincinnati (Ohio) Association of Credit Management Credit Conference.

Lower manufacturing costs can often be effected through longer production runs. Adequate working funds can insure steady production and the leveling off of your factory burden.

The problem here posed is one of needed expansion to meet increasing demand. As a small business man, you have several avenues open to you which can lead to a solution of your critical problems.

Probably the first thing the average individual would do is go to his commercial bank. Banks as public service institutions operate under legal restrictions which preclude their

fers a continuing, flexible supply of credit as needed.

To get back to the hypothetical borrower. If called in for assistance, we would make a preliminary examination of available financial data, company history, product acceptability, collateral availability and other factors. Our trained staff auditors would thoroughly examine the borrower's books and records, paying particular attention to the condition of accounts receivable and accounts payable, type and amount of inventory, inventory turnover, backlog of orders.

Average lapse of time between first

---

**"To be a good 'no-man' takes more than authority. More than anything else, it takes discrimination. The man who 'noes' everybody and everything is merely an obstructionist. The constructive no-man must know what to no, why to no, and when to no."**

**"For every no-man in business, there are countless yes-men and maybe-men. The human head bobs up and down much easier than it wags from side to side. The man who will stand by his convictions and say 'no' when he knows he's putting his job on the line is a rare bird. Even if he's overruled he is respected more than all the yes-men in the place."**

—William L. Acker

---

making extensive, unsecured loans that have more than the normal risk.

A second course that may be considered would be to take in a partner, sell stock, or otherwise water down your equity.

The commercial financing organization, a private lending institution, under the law is permitted to take business risks that are not suited to the depositaries of public and governmental funds. In our long history, we in the commercial finance industry have developed specialized operating techniques and security devices to enable us to supply large amounts to businesses that do not qualify for ordinary unsecured bank loans. Moreover, commercial financing of-

contact and availability of funds is from a week to two weeks but this will vary with the size and complexity of the business under study and the condition of its records.

Here is a checklist of "financial warning signs," the existence of any one of which indicates the need for commercial financing services:

- 1) Chronic shortages of sufficient working capital because the company is young and undercapitalized.
- 2) Capital depleted through a change in capital structure, buying up of stock or the buying out of a principal.
- 3) Unbalanced inventory.
- 4) Too much capital tied up in fixed assets.
- 5) Dangerously high overhead (caused

At its inception over 40 years ago Associates Investment Company was strictly an automobile finance company. The company has grown to the point where, with assets in excess of \$1 billion, it engages in all forms of consumer lending and financing as well as commercial financing and lending. The commercial division headed by Mr. Acker is concerned with the time sale financing of heavy machinery and equipment, lending against inventories, accounts receivable, fixed assets, the rediscounting of instalment paper for smaller companies, and financing complex buyout and merger situations.

by rising indirect costs or overexpanded facilities).

6) Large seasonal peaks leaving working funds depleted for too long a period.

7) Company growth too rapid; requirements for money are out of proportion to company's net worth.

8) Too much money tied up in accounts receivable.

9) Excessive inventory.

10) Insufficient cash on hand to discount bills from suppliers.

11) Inability to add vital machinery and equipment due to inadequate working capital.

Perhaps the business under review has found itself in a pinch by reason of too many open accounts receivable. In this instance we would make advances against these accounts and put fresh money back into the business as needed working capital. This type of financing is done without notification to the borrower's customers.

#### *The Factor's Lien*

Our inventory loans have embraced the entire run from raw materials to goods in process, to finished goods. The inventory securing the loan can be pledged under a factor's lien statute, such as we have in Ohio and some 27 other states, whereby the lender obtains a continuing general lien on the borrower's designated inventory, or an even stronger lien can be obtained through the use of a field warehouse.

Bonded field warehouse services

can be of great value when the solution to the financial problem embraces inventory. A bonded warehouse is in position to come upon the premises of our borrower and set up an efficient, bonded inventory facility. Our loans then are collateralized by bonded warehouse receipts. We, as the lenders, are not the only ones to benefit from this service. From the standpoint of security you will easily understand that management also greatly benefits from more efficient warehousing procedures.

#### *Advance on Fixed Assets*

Still another secured advance to business may be made against fixed assets, such as production and transportation equipment. These various types of lending may be utilized independently or in conjunction with each other, according to the needs of our hypothetical borrower.

Many times the commercial finance specialists are able to suggest other solutions to the problems. There are also many "assists" that we can render in conjunction with introduction of new products, the enlargement of sales markets, improved distribution and, finally, there is a vast fund of information upon which industry may draw concerning business management problems.

#### *Comparison of Rates*

In some respects, we in the commercial financing business feel that our rates are even more realistic than those charged by other sources. When you establish a line of credit at your commercial bank, a portion of the loan must be kept on deposit as a compensating balance. In another category, you have but to compare finance charges with the amount you might pay were you to issue preferred or common stock, in addition to having diluted your equity.

The interest rates in our industry are usually quoted on a *per diem* basis and currently range from one-thirtieth to one-twenty-sixth of one per cent per day, or, converted to

simple interest 12 to 14 per cent per annum. If you are not availing yourself of cash discount of say one per cent 10 days net 30, your business is actually paying for its money at the rate of 18 per cent per annum; at discount of 3 per cent 10 net 30, your effective interest rate is 54 per cent per annum.

The commercial financing functions now available to business offer an uncommon amount of experience and knowledge gained through analyzing many financial problems of various concerns engaged in a variety of businesses.

#### **Bank Personal Loan Demand Up: New Auto Inventories Fall**

Increased in the second quarter were demands for bank personal loans, automobile retail loans and for home improvement, but bank loans for purchase of home appliances continued low, says the advisory board of The American Bankers Association instalment credit committee. New auto inventories were reduced.

## **CUT COSTS with SORTKWIK®**



The **INVISIBLE** Fingertip magic  
FOR HANDLING PAPERS FASTER

**NO MORE X RUBBER FINGERS...**  
**NO MORE MESSY X SPONGES**

Just apply SORTKWIK to fingertips for greaseless, stainless, tacky film. See how easy it is to pick up papers of all kinds. One application is long lasting. Contains no drying alcohol. Washes off easily. Widely used in offices throughout the country. Try it and see why.

**ONLY 50¢ EACH**  
**AT YOUR STATIONERS**  
**SPECIAL OFFER:** Write on your letterhead for full-size container to try at no cost.

**LEE PRODUCTS COMPANY**

Dept. CF-9 • 2736 Lyndale Ave. S. • Minneapolis 8, Minn.

**VICE president of Associates Investment Company, South Bend, Ind., William L. Acker holds a bachelor of science degree of Wharton School of Finance and Commerce, University of Pennsylvania, and the LL.B. of Harvard Law School. He is director and vice president National Commercial Finance Conference, Inc. and member of the Bar of Indiana and New York.**

# Modernizing the Office

*New Equipment to Speed Production and Reduce Costs*

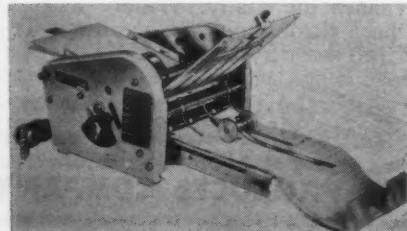
## Magnetic-Memory Dialer



313 For businesses that must repetitively call a wide range of telephone numbers RAPIDIAL automatic dialer, developed by Thomas A. Edison Industries, saves time and energy. With single push of dialing bar, up to 290 different numbers may be automatically called. Numbers may be on internal switchboard, local or long distance, or coast-to-coast over DDD network. Method of storing numbers on device's tape memory, of adding new numbers and erasing outdated numbers is said to be simple. Bell System is making unit available.

## Automatic Folder

314 Besides turning out all popular folds at speeds up to 150 sheets a min., all-electric desktop Folding Machine (Model FH-5C) of PRINT-O-MATIC COMPANY, INC. performs scoring, slitting and perforating operations with or without folding, maker notes. The FH-5C folds, stacks and conveys. Variable speed control is optional. Device may be used in conjunction with Print-O-Matic's Cross-folder, to obtain right-angle folds in one operation.



## Mobile Communication



315 For auto-to-office communication, the GENERAL ELECTRIC "PACER," miniaturized two-way radio, is said to provide more power and more communications range with less battery drain than previously attained in tubed equipment. "Pacer" additionally features light weight (10 lbs.), newly designed microphone and built-in speaker, quieter communication with better voice quality, and compact size to fit under dash of small cars without cramping passengers. Units are designed for operation in low band (27.50 mc.) and high band (150-174 mc.).

## Tidy Labeler

316 Putting end to messy applications, portable Model 210 NATIONAL\* PERFECT LABELER of Nashua Corporation moistens, cuts and delivers labels which are prepared in roll form. In combination with pre-printed Itstix\* Perfect Labels, advantages it achieves are: perfect registration and design-location, storage and handling facility, and labor savings, notes maker. Half-inch addi-

\* Registered.

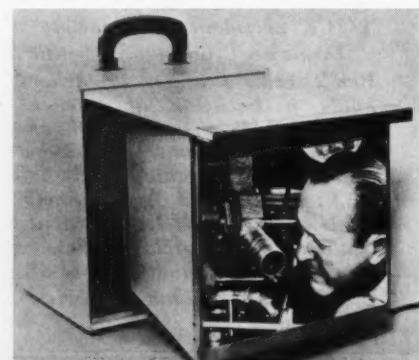
tional Itstix label length cuts down on number of double-length requirements and 16 per cent larger overall label size provides space for more printed matter.



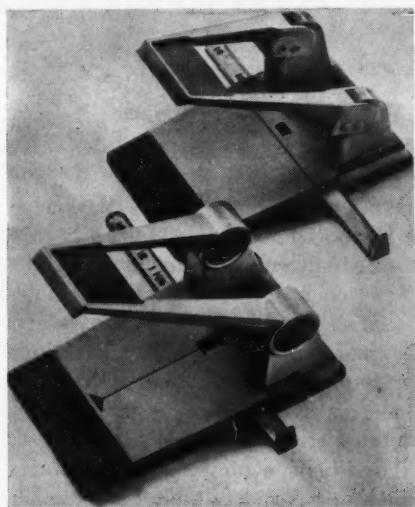
## Audio-Visual Tool

317 Portable visual aid for business and industry purposes, CINEPHONIC 200 rear-view sound-motion picture projector of Fairchild Camera & Instrument Corporation provides a synchronous soundfilm presentation from 8mm. magnetic striped film. The picture is projected on an integral 11x8½" screen and can play continuously without reload or rewind from a 200-ft. capacity magazine, maker points out. Instrument weighs slightly under 15 lbs. Unattended, device can perform as demonstrator wherever there is heavy pedestrian traffic.

*This department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 44 East 23rd St., New York 10, N.Y.*



## Punches Go Modern



318 Smartly styled, colorful Office Punches introduced by ACCO PRODUCTS offer these advantages over former models: 9-position gauge which locks in place so that holes are automatically centered for wide range of paper sizes, window viewer for clear visibility of settings, easy punching action and removable chip tray. Model #110 (rear) has 21-sheet capacity. The deluxe Model #440 (foreground) punches up to 36 sheets of #16 bond paper at one time, has handle that locks down for compact storage.

## Reading Magnifier →

319 FRANKLIN MAGNIFIER COMPANY's Reading Magnifier lies flat on page, leaves hands free. Unbreakable crystal acrylic magnifier is said to give perfect, automatic focus without distortion. Its large size of 5½" x 1" enables easy reading of up to five lines at a time, yet it is small enough to carry in pocket or purse. Useful and handy for fine print of contracts, phone listings without strain, unit comes with carrying case.



## Automated Copier



320 UNIQUE TRANSFER-A-MATIC Copying Machine turns itself on, makes exposure, peels away negative, besides adjusting itself to any length original, trims positive, delivers developed prints from any type original at a rate of four 8½" x 11" copies per min. and turns itself off, states maker Ozalid Division of General Aniline & Film Corp. Device is being jointly marketed with Anken Chemical & Film Corp. (as "Amptomatic") and Photek (as "Consecutor"). No line-up of original and sensitized paper is necessary, original is simply placed in machine.



## Check Digit Verifier

321 Electronic device introduced by BURROUGHS CORPORATION, the A570 Check Digit Verifier instantly checks account and other reference numbers on keyboard before they are punched into paper tape and is said to make it virtually impossible to enter wrong account numbers. Mathematical computation based on "double-add-double" principle insures accuracy of each entry. About the size of a portable radio, the A570 is actually a solid-state electronic computer and is designed to operate cable-connected to Burroughs accounting machines that produce tapes for subsequent data processing.

## Hot Foods on Tap

322 LEBRON HOT FOOD VENDOR makes instantly available to employees hot soups and hot foods, any time of day or night. Particularly designed with small companies in mind, unit of Lebron, Inc. comes in attractive colors, provides for four selections per unit in 13 cans per column, in an assortment of prices. Additional features: mailbox type delivery which prevents pilfering, simple manual operation, locked storage compartment, 115-volt 60 cycle 400-watt Chromolax heater. Fully insulated cabinet measures 48" high, 24" deep, 16½" wide.



## Sound-Control Partition ←

323 MODERNFOLD SOUNDMASTER 240 steel-lined Folding Partition silences 41.8 decibels of sound, notes maker New Castle Products, Inc., explaining that this means that space divided by a Soundmaster 240 makes normal speech on one side inaudible on the other, and muffles loud speech or other decibel-raising noise to virtual inaudibility. Product may be had in sections up to 25 ft. high by 60 ft. wide; any number of sections can be installed. Range of colors and fabrics is available.

# Guides to Improve Executive Operation

## KEEPING INFORMED

**GROWTH AND TAXES:** Steps for 1961 —Report examines relationship of tax policy and rate of national economic growth. Proposals for reforming federal tax structure to reduce effects of burdensome taxes are outlined. Charts and tables are included. 53 pages. \$1. copy. From Committee for Economic Development, 711 Fifth Ave., New York 22, N.Y.

**DOLLAR BREAD**—Pocket-booklet treatise on inflation and its dangers, designed for employee education, is available in quantity from the Information Research Bureau, 438 Woodward Bldg., Washington 5, D.C. \$14.50 per hundred copies, delivery included. Quotations on larger quantities on request.

A BROCHURE published by the National Association of Small Business Investment Companies, 537 Washington Building, Washington 5, D. C., includes discussions of "The Small Business Investment Program" and "What an SBIC Can Do For You." There are also a Statement of Principles and a listing of the association's member companies as of March 1961.

**HEALTH INSURANCE:** Are Cost and Quality Controls Necessary — In discussing outlook for voluntary health insurance plans, authors consider possible dangers to current employee benefit structure, of inflationary trends in health insurance. Single copies are available from The Brookings Institution, 1775 Massachusetts Ave. N.W., Washington 6, D.C.

*Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.*

*To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 44 East 23rd St., New York 10, N.Y.*

937—Five-page booklet describing in nontechnical language what to do before installing a computer system is offered by Philco Corp., computer div., to aid businessmen considering computer operations.

938—"Zip-Clip" flexible plastic paper clip for office use, can also be for promotional uses. Gladen Enterprises offers samples, price list.

939—"From Order to Invoice—Written Just Once," 12-page brochure of Ozalid Div. of General Aniline & Film Corp., discusses time and cost savings for order-invoicing.

940—"Buying Power Map." Sanborn Map Co. literature describes new type of five-color map which pinpoints relative neighborhood buying power within recognized metropolitan areas throughout the U.S. Sample available.

941—"Elliott Stencil—Heart of the Elliott System" brochure describes ways to speed addressing and repetitive imprinting operations, includes space- and cost-saving ideas.

942—TN-S Rex Recorder dictating machine of American Dictating Machine Co. which has "dictate" and "listen" controls in microphone, is described in literature.

943—Kodacolor prestige-building Business Cards, introduced by Eastman Kodak Co., combine traditional text with color photograph of giver. Write us for details.

944—"Bank-By-Mail System utilizing MICR" is described in literature of Cupples-Hesse Co., div. St. Regis Paper Co.

## BOOK REVIEWS

### 1960 STATEMENT STUDIES —

Robert Morris Associates. \$10. Tearsheets of particular industries, \$1 each. Robert Morris Associates, Miss Cynthia P. Sorrick, Research Secretary, Philadelphia National Bank Building, Philadelphia 7, Pa. • This is the 39th edition of the annual study, available to businesses, individuals, schools, also to financial institutions not eligible for membership.

The 1960 edition, in plastic spiral binding, is in two parts. The Basic Study contains composite financial data on 175 lines of business. The Income Supplement covers information on "Selling and Delivery Expense", "Officers' Salaries", and "Other General Administrative Expense" on 152 lines.

**PROGRESSIVE FILING**—By G. Kahn, T. Yerian and J. R. Stewart. \$3.25. McGraw-Hill Book Co., Inc., 330 West 42nd St., New York, N.Y.

• The growing need for an efficient method and system for filing records, punched cards and paper tape makes this book especially valuable at this time. All methods of filing techniques are completely described. Can be used as a training guide for clerks and provides useful suggestions in initiating new systems.

### ALSO RECOMMENDED

**THE HUMAN TOUCH IN MANAGEMENT** is an unusually presented and informative approach to motivation of employees through an understanding of the elements of human relations. The author, Cloyd Steimetz, sales training director of Reynolds Metal Company, spells out the words. For "Human" thus: H—"Hear him out"; U—"Understand his feelings"; M—"Motivate desires"; A—"Acknowledge his efforts"; N—"Give them the news," that is "Keep them informed." 23 pages. 25 cents a copy. Motivation, Inc., Springdale, Conn.

*Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.*

# Cooperation: CPA and Credit Executive

CAREY

FROM PAGE 8

2. The profession has set up its own standards that tend to be more strict than the legal standards. These are embodied in the codes of ethics of the professional CPA societies.

In explaining who a CPA is, we may therefore generalize about *all* CPAs to this effect: all are members of a profession with responsibilities for character and competence before the law, and there has been an infinitesimal number of lapses that have been proved and punished by the courts.

## BEYOND LEGALITY TO PROFESSIONAL ETHICS

GIVEN the frailty of human nature, I submit that any profession of some 70,000 men and women in which only an infinitesimal number of individuals has been found liable for gross negligence by the courts has a lot to be said for it.

But this is an extremely negative identification of a CPA. The standards that the profession itself has developed represent in the first place a pride in the high level and quality of service that any professional man feels—if he is worth his salt. These standards have been defined primarily by the professional societies. Because standards permeate the whole profession, even CPAs who are not members of a professional society are strongly influenced by the ethics promulgated by the societies. However, those who *are* members—some 70 per cent of them all—commit themselves to high standards in specific ways.

Here is an illustration:—

In the early days of the profession, it was possible for a CPA to audit a financial statement and refrain from expressing an opinion, one way or the other, as to its fairness. But standards of practice gradually became stronger, and in 1949 The American Institute of Certified Public Accountants issued a forceful *Statement* that any member who permitted his name to be associated with financial statements must make clear his responsibility for them. Bankers, particularly, applauded this development.

In 1958 the members of the Institute voted overwhelmingly to make this *Statement*, in effect, part of the Institute's *Rules of Professional Conduct*. This meant that violation of the Rule could result in admonishing, suspension, or even expulsion from the American Institute of Certified Public Accountants. Naturally, few if any CPAs would lightly put themselves in positions in which this might happen.

Thus, when a credit grantor looks at the word "our" in an accountant's opinion, it is important for him to know whether the CPA is a member of a state CPA

society or the American Institute. A CPA who is a member of a professional society is answerable not only to his own conscience, as any man must be, but to public criticism or even ostracism by his peers.

## PROFESSIONAL ETHICS AND CHARACTER

POINTING OUT what a CPA may not do and why not, is obviously not a complete explanation of who he is. It's like introducing a man by remarking that he does not play golf and does not take more than one cocktail.

However, the kinds of prohibitions a professional man accepts, or sets up for himself, do imply a certain kind of person. I can also add a few convictions, based on thirty-five years of close association with CPAs, as to what this "kind" is. For one, I think he is likely to be warm and sociable. Otherwise, he would not have chosen or succeeded in a profession in which concern for others becomes the daily routine.

A mercantile agency survey has shown that small businesses make use of the services of CPAs more than those of any other outside advisers. This ranking as the Number One adviser of small business was not attained through technical competence alone. It was undoubtedly the result of the great and abiding concern of CPAs for the welfare of their clients and the business community.

Credit grantors as well as CPAs' clients may benefit from this quality of concern. How often must a credit grantor deal with customers whose inept conduct of their affairs cries out for professional help! If the credit grantor can steer such individuals to the proper help, clearly his own cause will benefit.

Russel S. Bock, a past president of the California Society of CPAs, once defined the "typical" CPA as follows:

"He serves his client well by taking care of their needs completely for fees commensurate with the service rendered. He serves credit grantors, the investing public, and others interested in the financial statements he examines by maintaining his independence and by urging full disclosure of financial facts. He serves his community by supporting civic and charitable activities. He serves his state and federal governments by making honest tax returns and other reports for his clients, by getting acquainted with his legislative representatives and their problems, and by assisting in the solution of governmental problems. He serves his profession by belonging to its organizations and taking part in their activities."

I cannot prove that Mr. Bock's definition is really typical. But it does express, simply and well, the ideals of the CPA. And when high aspirations are combined with the determination to make them everyday realities, you have a profession of broad service in the public good. The certified public accountant belongs to such a profession.

bonuses, etc., and the grouping of these under one heading, while simplifying from an accountant standpoint, would give little information to the client.

B. Encourage cash flow information so that both debtor and creditor may be sure not only where the client is, but where he is going over a certain period of time.

C. Encourage the establishing and the carrying out of good cost systems understood and practical for the client, and that the client is equipped to use according to his mental ability and agility.

In establishing these cost systems try to make them conform to the generally accepted method in that particular industry so that comparisons may be made by both client and credit grantor with such information as that provided by the Robert Morris Associates industry-wise. i.e.: If advertising is included in sales expense by your client, while competitors list it separately, no industry comparison is accurate or worthwhile.

D. Comment on the insurance being carried by your client regarding merchandise, building and fixtures, use and occupancy, burglary and life benefits, etc., and is it adequate.

E. Whenever possible use unqualified opening statements in your audits. They are highly respected and looked for by credit grantors. If the unqualified statement included all of the items I am now discussing, they would not be needed as an addendum to the audit, but frankly, a clean opinion simply isn't always a clean opinion, and I'm sure you know in doing a reaudit that you often find that the former accountant did not check all the items that I am listing. (We cannot always rely on such statements. Can I rely on a clean opinion? Did he? Check all these items).

F. Specifically refer to the items being verified and if not directly verified state how they were verified.

G. Inventory—Describe how inventory was taken, either by a test check of prices, quality of merchandise, age of merchandise and whether taken by management or by the accountant and if not taken by the accountant, state whether or not the accountant has in his possession inventory records. This is looked upon with great favor by the credit grantor.

H. Encourage your client to be consistent in inventory depreciation. He will have less difficulty with tax approvals if he is consistent.

I. If any assets are pledged to secure liabilities, be specific.

J. If a factor is used, mention the contingent liability of the client, that is, the amount outstanding on the books of the factor in a contingent liability. Explain.

K. Have taxes been paid, have taxes been approved and to what date.

L. In intercompany statements, be specific about accounts receivable and accounts payable. N/R & N/P etc. Set out in detail affiliated relation. Are they A/R and

is affiliate OK—or wholly owned subsidiary or wholly owned by officer of the company.

M. Have accounts receivable been aged and do you agree with the aging?

N. In opinions which you express regarding the audit (1) Is provision for bad debts adequate? (2) Is reserve for discounts adequate? (3) Are any accounts receivable pledged at the time of the closing or since then? (4) Do accounts receivable include amounts due from subsidiaries or affiliates? Comment on them. (5) Are any accounts receivable unnecessarily excessive and therefore dangerous from a collection standpoint?

O. Nature of investments. Relation of security and its value especially in an affiliate which has decreased in value.

P. How often do you prepare the audit?

### THE CASH FLOW SHEET

TOPIC Two—The cash flow sheet—This is being investigated by the Credit Research Foundation of the National Association of Credit and Financial Management and is considered very important by credit grantors. To know that you know where your client is and where he is going, that he has an awareness of this for the next period of operation is very important to the credit grantor. To be able to supply your clients with forms and show him how to use them in preparing such cash flow information is a source of great comfort to the credit grantor.

We have among our clients a borrower who probably borrows more fully in relation to his net worth and working capital than any other client we have ever had, but since the inception of the business he has supplied us with accurate and complete cash flow sheets and then has gone on to prove that his forecast had been accurately

### CASH BUDGET OR FORECAST

(Thousands omitted)

NAME: XYZ CORPORATION SEASON: FIRST SIX MONTHS 1962

ADDRESS: ANYWHERE, GEORGIA PREPARED: DECEMBER 1, 1961

|                          | 1/31        | 2/28    | 3/31    | 4/30    | 5/31    | 6/30     | Total    |
|--------------------------|-------------|---------|---------|---------|---------|----------|----------|
| <b>INCOME:</b>           |             |         |         |         |         |          |          |
| Shipments                | (a) \$ 95.0 | \$ 80.0 | \$ 75.0 | \$ 65.0 | \$ 65.0 | \$ 180.0 | \$ 560.0 |
|                          | (b) 3.0     | 6.0     | 4.0     | 12.0    | 12.0    | 10.0     | 47.0     |
|                          | (c) 98.0    | 86.0    | 79.0    | 77.0    | 77.0    | 190.0    | 607.0    |
| <b>Accts. Rec. Notes</b> |             | 25.0    | 30.0    | 32.0    | 33.0    |          | 120.0    |
| <b>Total Collections</b> | 98.0        | 111.0   | 109.0   | 109.0   | 110.0   | 190.0    | 727.0    |
| <b>DISBURSEMENTS:</b>    |             |         |         |         |         |          |          |
| Raw Material             | (a) 33.0    | 33.0    | 33.0    | 33.0    | 33.0    | 33.0     | 198.0    |
|                          | (b) 3.0     | 3.0     | 3.0     | 3.0     | 3.0     | 3.0      | 18.0     |
|                          | (c) 3.0     | 3.0     | 3.0     | 3.0     | 3.0     | 3.0      | 18.0     |
| Direct Labor             | 33.0        | 33.0    | 33.0    | 33.0    | 33.0    | 33.0     | 198.0    |
| Overhead Item            | 37.0        | 37.0    | 37.0    | 37.0    | 37.0    | 37.0     | 222.0    |
| Add to Fixed Assets      | 5.0         | 4.0     | 4.0     | 3.5     | 3.5     | 9.0      | 29.0     |
| Commissions              |             |         |         |         |         |          |          |
| Sub-Total                | 111.0       | 110.0   | 110.0   | 109.5   | 109.5   | 115.0    | 665.0    |
| Paid on Notes            |             |         |         |         |         |          |          |
| Total Disbursements      | 111.0       | 110.0   | 110.0   | 109.5   | 109.5   | 185.0    | 735.0    |
| <b>CASH BALANCES:</b>    |             |         |         |         |         |          |          |
| Beginning                | 14.0        | 1.0     | 2.0     | 1.0     | 0.5     | 1.0      |          |
| Ending                   | 1.0         | 2.0     | 1.0     | 0.5     | 1.0     | 6.0      |          |
| <b>LOAN BALANCE:</b>     |             |         |         |         |         |          |          |
| End of Period            |             |         |         | 25.0    | 55.0    | 87.0     | 120.0    |
|                          |             |         |         |         |         |          | 50.0     |

done and carried out. The few exceptions have been when he made a larger profit than he anticipated and was able to pay out his loans earlier than planned or when some untoward situation occurred, which slowed down the repayment program somewhat.

The simplicity of this form makes it usable and yet gives your client a comfortable feeling of where he is going and how he may pay his bills.

When the credit grantor finds that the certified public accountant is recommending cost studies, cash flow studies, submission of good accurate tax information and their exceptions, he is in a mood to be cooperative in checking credit, to working with his customer, and I earnestly believe that the accountant can be very helpful in this direction when it is so obvious that his client must have it.

I recently recommended a change in accounting firms when I realized a client must have the type information I have just discussed. Quite naturally, his accountant came to see me, rather aghast that I had recommended a change. I frankly admitted it and told him why. He indicated he had not been employed to do that work. I indicated that unless that work was done he would have no client, and so whether he lost his client now or in a few months, when his client folded up, it seemed to me sufficiently important so that he could go to his client and recommend certain types of service which were essential for a continuance of the business.

The cooperation of the certified public accountant, his client and the credit grantor are inexorably intertwined. I fully realize that many of the recommendations made here may seem quite revolutionary, may seem almost impossible, but they are a move in the right direction. The very active use of money today in our expanding economy indicates that the interchange of information is increasingly important.

## SUMMARY

I SHOULD like to summarize my remarks somewhat as follows. Encourage your client to understand that a financial report on his business properly prepared by a competent, practicing accountant, is a common business courtesy which he should extend to his sources of supply and to recognized mercantile agencies. That a business organization which regularly issues such information to its suppliers and banks firmly establishes itself as a respected member of the business community. That this has become standard accepted practice.

May I make this further comment. The following might well be included in the rules of conduct of the Georgia State Society, if they are not already. (1) That a member of the State Society should not engage in any other business or occupation con-jointly with that of his professional practice as a CPA in such a manner as would be incompatible or inconsistent therewith, unless he states that the audit is not completely independent. (2) That a member of the society in presenting his opinion of his audit prepared should disclose material facts known to

him, which were perhaps not covered specifically in the audit, but which would, of necessity, be misleading by their omission. (3) He should be considered negligent if he does not direct attention to any material departure from generally accepted accounting principles or does not disclose any material omission of generally accepted auditing procedure applicable in the circumstances. (4) The certified public accountant should refuse to prepare an audit under his name if he knows his client is issuing false statements even though unaudited to other suppliers, banks, agencies, tax departments, etc. (5) I feel that no matter what his client says the purpose of the audit is, the CPA should be aware that it may be used freely for credit purposes and therefore the audit should be made as though the whole world might see it.

I realize these last few remarks are certainly not in my prerogative to make, but they are certainly seriously considered by credit grantors and I am expressing them simply for that reason.

## HARVEY

## FROM PAGE 10

tremendously important tool in determining where credit may be safely accepted and where it must be restricted.

As the creditman is expert in his field, so the certified public accountant is an expert in audit verification and in financial reporting. By definition an "expert" in a particular field is one whose opinion is of value in that field. The greater the use by the credit fraternity of reports on which the certified public accountant has expressed an unqualified opinion, the more will credit be handled properly.

## HOW THE ACCOUNTANT CAN HELP

ON HIS SIDE of this mutual assistance pact, the accountant can do a great deal to help the credit manager. First, and foremost, he can produce the financial reports which he has asked the creditman to use. Based not only upon the conventional balance sheet and income statement, but also upon projections of cash flow, statement of source and application of funds, budget documents, and other tools known to the trade, he can render a real assistance in determining how much credit may be safely accepted.

The certified public accountant can, perhaps, also be of help in interpreting financial data and in suggesting areas where additional information would be helpful in determining lines of credit. For example, the accountant might suggest information relating to the status of long-term contracts with respect to which a contractor is seeking credit acceptance for material purchases.

One area in which the creditman and the public accountant will work closely together is in connection with acquisition investigations. One company is interested in acquiring a second company. The creditmen and the CPA of the first company work together in determining the value of the accounts receivable about to be acquired. Generally, the accountant will develop the data and the

creditmen will draw upon their experience to form an opinion of collectibility.

The certified public accountant is rapidly expanding his contribution in the field of management services. He may be of considerable help to the credit manager in establishing and maintaining the most effective credit records. What kind of accounts receivable records should be used in a particular situation? Should they be simple ledger sheets, visible index cards, key sort cards, or punched cards?

The wide experience of the management service expert permits him not only to determine the best way to design and handle records, but qualifies him to make suggestions as to new ideas and techniques with respect to credit records. Suggestions may also be forthcoming to help the credit executive to increase the efficiency of his department. This includes not only redesigning procedures to increase efficiency, but also determining the efficiency of personnel. The whole question of authority and responsibility within a credit department may very profitably be reviewed by the management service group.

Even when circumstances do not permit the accountant to assist the creditman in any of these suggested areas, the public accountant can always assist in building up the stature of credit managers in the eyes of top management. The accountant probably knows better than anyone how important the creditman's work is in terms of profit and loss to the organization. Only the accountant knows the importance which the credit executive plays in internal control, and the importance of having a credit department strong enough, and independent enough, to exercise such controls properly.

THE CREDITMAN and the CPA may find mutual aid in the field of taxation. The tax law touches upon accounts receivable primarily in relationship to the deductions allowed for bad debts. There is always the one-time possibility of a double deduction in changing from the charge-off method of claiming bad debts to the reserve method. In the year of change, the taxpayer is permitted to deduct not only the provision to the reserve, but also the bad debts written off in that year.

When a reserve method is adopted, the accountant must work with the creditmen in developing a formula for determining the annual provision which can be made to the bad debt reserve. For example, under the Black Motor formula, often used by the Internal Revenue Service, it is necessary to develop historic ratios of receivable balances to bad debt charge-offs.

Where the charge-off method is used, the determination of the year in which a bad debt deduction is usable requires the joint effort of the creditman and the CPA. While there is a 7-year statute with respect to worthless accounts, it may be desirable to establish the writeoff in the earliest possible year and, perhaps, to assure that the deduction is used in a year in which the tax rate is 52 per cent, as opposed to the 30 per cent rate applicable to profits under \$25,000. In this connection, the credit manager must keep accurate and up-to-date files showing

all major events leading up to the point at which the account becomes worthless. He must be able to convince the Internal Revenue agent, with the help of the CPA, as to the identifiable event which makes the debt worthless. There is also the availability of partial charge-offs, if the creditman can prove partial worthlessness.

A review of these areas in which the accountant can help the credit manager and in which the credit manager can help the accountant will undoubtedly suggest other areas of equal, or greater, importance. The examples cited, however, are sufficient to establish that these two business groups have much in common, and can work together to mutual advantage.

### KELLEY

### FROM PAGE 11

executive. This type of information is actually more conclusive than just a current financial statement, any credit rating, and even the current paying ability of a customer.

Making credit decisions and increasing selectivity and collection procedures based on current information alone is very dangerous, both to a good customer and to the supplier.

A good credit manager should not be content with just today's approval of an order but should try to make a customer a friend and partner for many years ahead.

In order to do this, a credit manager and a customer should get to know each other, be able to share each other's success and problems. They should be able to work closely together during prosperity or recession whether on a local or national scale.

In many businesses, the controller has to be somewhat of a salesman, a purchasing agent and production man as well as a financial expert. He is one of the bridges between his customers and suppliers.

When a company doesn't have a controller, the CPA must be prepared to be all the things that a controller should be, in addition to being an auditor.

Whether a "supplier's report" is sent out by the controller, buyer, or other executive, it should be prepared by the CPA. This is because of the reliance placed on the CPA profession for dependability, trustworthiness, that they have so well earned by their adherence to sound business ethics over a long period of time.

### GULSKI

### FROM PAGE 13

that no one method of profit computation would serve. I have every expectation that, with the increased complexity of our economic, legal and scientific worlds, the problem will become more rather than less involved. However, I do believe that we accountants must do something to improve our communications if we are to avoid more government regulation than now exists. We have seen the Internal Revenue Service define in great detail and much complexity the manner of figuring taxable net income. We have seen the I.C.C. and state regulatory bodies spell out their demands as to profit computation. Will we see the Securities and Exchange Commission do the same thing for statements to go to creditors and stockholders?

*(Concluded on opposite page)*

It might be worthwhile to sit back for a minute and ask ourselves what the accountant has been trying to do when he prepares a set of financial statements. Trying to keep in mind the many uses to which the statements might be put he has tried to steer a course which might satisfy the management, the tax-collector, the bank, and the stockholders. He has also been strongly influenced by the desire to adapt every available expedient to save on income taxes. Some of these expedients, in my view, have not been compatible with good accounting principles.

### RESULT: GENERAL PURPOSE STATEMENTS

THE NET RESULT—general purpose statements which the labor unions say are too conservative because we have used devices such as LIFO and accelerated depreciation to keep down taxes, and which management says are not conservative enough because we have not provided for replacement of equipment at the new higher price levels. And I am not sure what the net profit figure does mean because I do not have the time and information to study the facts and make adjustments so that it will be comparable with that of a competitor.

One other matter before I try to pull these threads together. In the standard form of audit report we accountants state that these statements were prepared in accordance with generally accepted accounting principles. I have been teaching accounting for thirty-five years and should know something about it, but I hope that no one asks me what these generally accepted principles are. Many attempts have been made by individuals to set down a list of generally accepted accounting principles. The net result has usually been a volley of objections and statements to the effect that the items mentioned were not principles but practices. Here we see yet another fuzzy area in our communications. It does seem to me that we should be using words which we can explain. If not, I would vote to change the wording to something which I can explain.

### CHANGES UP TO PROFESSIONAL SOCIETIES

TO SUMMARIZE, what is being done about this lack of clear communications? It is quite clear that I, as an individual, can have little effect on the terminology used by the entire accounting profession. I do believe that if we, as individuals, see the need for improvement, we have an obligation to do some thinking about the problem, and raise our voices to suggest changes. But, in the last analysis, any changes must be the results of pronouncements by our large professional societies—the National Association of Accountants, the American Accounting Association and the American Institute of CPAs.

The Institute's Accounting Research Committee has been disbanded and provision has been made for a full-time Accounting Research Department. This group, on

the payroll of the American Institute, would research troublesome areas and publish its findings for study by the profession. In addition, its findings and recommendations would then be presented to an Accounting Principles Board made up of accountants who would then reject or accept the recommendations. The hope has been expressed that this more aggressive approach to the problem will produce more and better results.

The research group is currently headed by Maurice Moonitz, formerly professor of accounting at the University of California. Latest word is that numerous research projects have been assigned and work is progressing. I understand that one of the major projects is to work up a statement of generally accepted accounting principles.

### HOPED FOR RESULTS

What will be the results of this research? Frankly, I do not know, but I hope that some of the following will be forthcoming.

1. A comprehensive, yet clear-cut statement of what we can hope to accomplish and what we should not attempt to accomplish through our existing, perhaps refined and renamed, financial statements.

2. A sharpening of our existing tools through the development of clearer concepts and closer definition of assets, liabilities and other terms. This, I believe, will enable accountants to think more clearly in the troublesome areas.

3. A reduction in the number of permissible variations in the accounting for a given situation. In arriving at those which are acceptable I would hope that great care would be taken to select the methods which would produce results in the *fairest* possible manner, with expediency and income tax considerations taking a back seat. The influence of the profession should be brought to bear on legislative bodies to permit accounting for taxation and regulation to follow the best practices as revised, or at least to permit reporting for taxation on a different basis from that used in published reports.

4. Education of the users of financial statements as to the dangers attaching to the use of short-run statements of income as a basis for investment decisions. Accountants all know, but sometimes fail to remember, that in the *long run* all accounting methods must produce the same final results. It is chiefly in the allocation of costs and incomes to arbitrary periods of time that different methods produce greatly differing results. If accountants would submit, and stockholders use, long-term and cumulative statements of earnings *related to stockholders capital employed*, the effects of variations in accounting methods would tend to be minimized. Long-term effectiveness in the use of capital would be easier to discern. This, after all, is what investors are trying to determine.

The above objectives seem, to me, to be not beyond hope of realization.

If we do some hard thinking about our communications problem we can make substantial improvements.

The time for action is now.

# WASHINGTON

CONCLUDED FROM PAGE 6

¶ ATTACKING proposals to suspend, until the end of next year, the interstate commerce commission's authority over approval of railroad consolidations, unifications or acquisitions, the commission's chairman, Everett Hutchinson, has warned the House committee on interstate and foreign commerce that such action would be seriously damaging to smaller railroads and would discourage roads in financial difficulties.

¶ THOUGH the nation's passenger trains operated last year at a deficit of \$485 millions, it is to be noted that the deficit was the smallest since 1947.

Increased fare rates, reduced schedules and better management of expenses largely accounted for the lower deficit, though the number of coach passengers dropped 5.2 per cent, and parlor car and sleeping car traffic showed even sharper decline.

The larger carriers continue to handle a large volume of passenger traffic but they also have huge terminal operation costs.

One saving grace cited is that, under the full-cost accounting required by the interstate commerce commission, lines having sizeable profits from freight business offset federal income tax liability a little by the deficit in passenger traffic income.

¶ PRONOUNCED gains in retail store business this second half are expected, a study of all types of stores by the National Retail Merchants Association reveals.

"New horizons are in sight for retail sales and profits", said J. Gordon Dakins, executive vice president and treasurer, analyzing results of the survey.

Another indicator was noted in the larger and earlier orders written in New York at the fall market showings.

¶ CHARGING serious shortcoming in federal regulatory agencies, James M. Landis, former dean of Harvard Law School, commissioned by President Kennedy to make a study, proposed five major areas of changes:

(1) Authorize the President to reorganize any administrative agency, subject only to veto by concurrent resolution of both houses of Congress; (2) President then to stipulate that he designate chairmen of all agencies and that the chairmen have greater authority to hire personnel and handle the agency budgets; (3) Draft reorganization plan to permit agencies openly to delegate decisions to single members with review by agency heads only; (4) Within the President's Executive Office create an office for coordination and development of transportation policy, and similar offices for communications

and energy policies, and (5) Within the Executive Office establish an office to oversee regulatory agencies.

¶ No further change in the value of the Deutsche mark is likely in "the next few years", Ludwig Erhard, West Germany's minister of economics, told industrialists and merchants. The U. S. Treasury had called the 5 per cent revaluation "useful but modest".

¶ THE TREASURY department has engaged Hal B. Lary of the National Bureau of Economic Research and the Council of Economic Advisers is using Prof. Robert Triffin of Yale University, both working part-time, in research on statistical phases of the balance of payments and this country's method of measuring its international payments.

More than \$1 billion of U.S. gold was bought, overall, by over 25 countries in last year's final quarter. Britain in the third and fourth quarters bought \$550 millions to halt speculation in the private market in London.

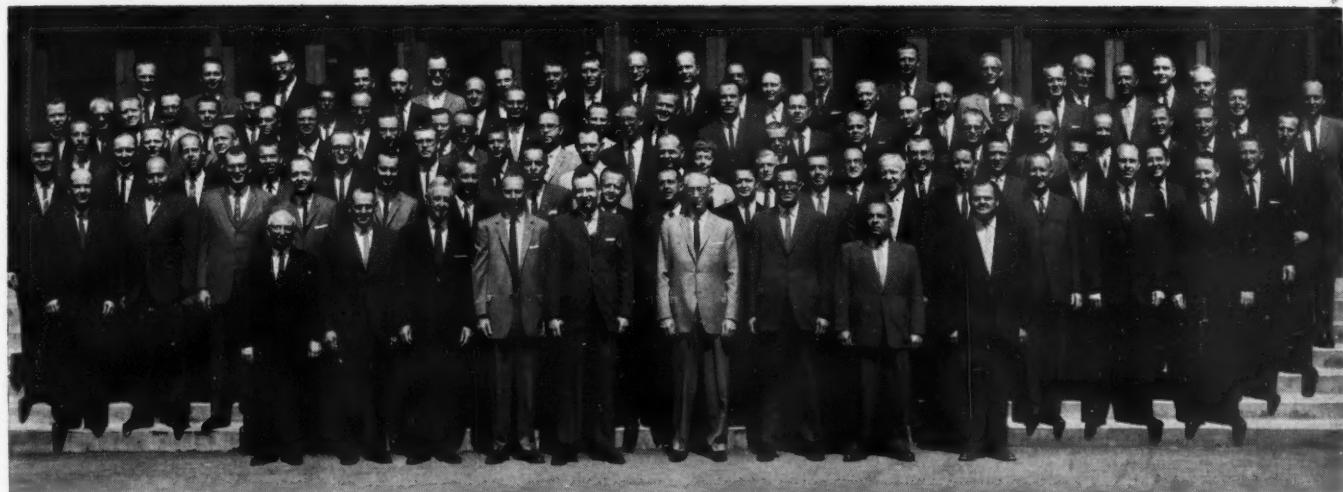
¶ MORE HELP for countries that help themselves most effectively is emphasized in the President's program for foreign aid, broadly on a long-term basis but with emergency aid as in the Congo.

In this connection, assuring Latin America of increased investments to stimulate production and distribution, and to improve purchasing power and living standards, Secretary Hodges, addressing the Third Inter-American Management Conference, in Mexico City, repeated President Kennedy's pledge of a "new alliance of progress".

¶ DOLLAR total of buying of goods and services nationally advanced a record 5 per cent last year; the physical volume 3 per cent, the department of commerce said. The difference in percentages was attributed to price increases.

¶ Frank M. Cruger, president of the National Small Business Association, says a \$500 tax credit for new equipment would be of little help as an incentive to expand. (Under the Kennedy program a business investing between 50 and 100 per cent of present depreciation allowance could deduct 6 per cent of the investment in that range as a credit against taxes, and any taxpayer qualifying for the 6 per cent credit would necessarily qualify for \$500 deduction under the minimum credit.)

Whether sale and leaseback, eliminating present depreciation allowances, would provide maximum credit under the proposal was being studied by companies' tax counsel.



*The 92 students and faculty members of NACM Graduate School at Stanford University*

## 29 Receive Executive Awards at Stanford

**T**WENTY-NINE executives of companies in eight states joined the growing list of recipients of the Executive Award of the Graduate School of Credit and Financial Management, of the National Association of Credit Management, on graduation this year at Stanford University in Palo Alto, Calif.

There were eleven more graduates than the eighteen from five states at the 1960 session. California is represented by 19 this year, four are from the State of Washington, and one each from Missouri, Nebraska, New York, Pennsylvania, Texas and Wisconsin.

### *Winners of Awards*

Roger Bowman, branch manager of Pacific Finance Corporation, West Covina, Calif., won the American Petroleum Credit Association Award for the best management study report submitted by a member of the senior class. His subject was "Mobile Home Park Financing." Dr. Peter C. Peasley, NACM director of education and research, and executive director of the Graduate School, announced the winner.

To B. T. Wilson, assistant secretary-manager of the Seattle Association of Credit Men, went the Alumni Leadership Award of the Graduate School Alumni Association. The

presentation was by Herman J. Hoff, Jr., manager of corporate credit, Pacific Finance Corporation, Los Angeles, and vice president of the alumni association.

Associate Dean Charles A. Anderson of Stanford University's Gradu-

ate School of Business was the speaker at the graduation exercises. His topic was "Who Gets the Credit?"

He was introduced by NACM Past President J. Allen Walker of San Francisco, general credit manager of Standard Oil Company of California, chairman of the Credit Research Foundation committee on education and professional development, and Graduate School faculty member.

The invocation was by J. Knight Allen, senior economist, Stanford Research Institute, and member of the Graduate School faculty.

The candidates for the Executive Award were presented by Leonard Marks, Jr., associate professor of finance, associate director of the International Center for the Advancement of Management Education, Stanford University Graduate School of Business, and on the faculty of NACM's Graduate School.

Dr. Peasley officiated at the presentations and presided at the exercises.

Following are the names of the graduates and their companies:

**AWARD WINNERS.** *The Alumni Award for Leadership went to Bryce T. Wilson (left), assistant secretary-treasurer of the Seattle Association of Credit Men. Roger O. Bowman, Pacific Finance Corporation, Los Angeles, won the American Petroleum Credit Association Award for the best management study report. The Award will be presented next May at the 66th Annual Credit Congress, in Philadelphia.*



**CALIFORNIA:** Arnold J. S. Alexander, Standard Oil Co. of California, Los Angeles; Charles E. Battram, Jr., Pacific Finance Corp., San Diego; Howard J. Boskus, Wells Fargo Bank American Trust Co., Sacramento; Roger Bowman, Pacific Finance Corp., Los Angeles; Charles de Curtoni, Permanente Cement Co., Los Angeles; Donald L. Dorner, Central Val-

ley National Bank, Oakland; *Arthur W. Feidler*, Pacific National Bank of San Francisco; *Paul H. Fest*, Consolidated Western Steel Div., U. S. Steel Corp., Los Angeles; *Milton G. Fossum*, Pittsburgh-Des Moines Steel Co., Santa Clara; *Charles R. Goodlet*, Ampex Acceptance Co., Redwood City; *Raymond E. Hardy*, American Can Co., San Francisco; *Earl E. Haverly*, Pacific Finance Corp., Los Angeles; *Carl R. Jensen*, Bank of America NT&SA, Los Angeles; *Cornelius McCauley*, California Packing Corp., San Francisco; *Mario C. Negri*, Bank of America NT&SA, Hollywood; *Emerson D. Quick*, Crocker-Anglo National Bank, Sacramento; *Calvin S. Shelton*, Bank of America NT&SA, Glendale; *Eric T. Staniek*, Corwin-Hall Distributing Co., Los Angeles; and *Ralph L. Templar*, California Bank, Los Angeles.

MISSOURI: *George R. Morgan*, Sheffield Div., Armco Steel Corp., Kansas City.

NEBRASKA: *Edwin K. Wright*, Fairmont Foods Co., Omaha.

NEW YORK: *Fred W. Hoppe*, Allied Chemical Corp., New York City.

PENNSYLVANIA: *Knox McConnell*, Franklin-Federal Savings & Loan Association, Pittsburgh.

TEXAS: *Robert W. Berrong*, Continental Oil Company, Houston.

WASHINGTON: *John D. Mangels*, National Bank of Commerce, Seattle; *Richard L. Noland*, Union Oil Co., of California, Seattle; *James T. Tompkins, Jr.*, Richfield Oil Corp., Seattle; *Bryce T. Wilson*, Seattle Association of Credit Men.

WISCONSIN: *Galen G. Misfeldt*, Thorp Finance Corp., Thorp.



**FIVE NEW DIRECTORS** of the Cincinnati Association of Credit Management are (l to r, seated) Karl Wiener, credit manager Crosley Broadcasting Corp.; Miss Rosa Basler, secretary-treasurer F. D. Lawrence Electric Co.; William H. Layman, branch manager, Breneman-Hartshorn, Inc.; Clifford Conneighton, credit manager, Mead Board Sales Company; (standing) William J. Carr, branch manager, Charles Bruning Co., Inc.

City, Mo., died at his home. Mr. Elmore was known in the area as "Dean of Credit."

#### N. Madison Cartmell

N. Madison Cartmell, adjunct professor of management at New York University's graduate school of business administration and head of the management consulting firm bearing his name, died of a cerebral hemorrhage. Professor Cartmell was a former president of the National Association of Accountants.

#### William D. Clifford

William D. Clifford, vice president in charge of the credit division of Mellon National Bank and Trust Company, Pittsburgh, died at his home. Active in the Credit Association of Western Pennsylvania and in Robert Morris Associates, Mr. Clifford began his banking career in the Peoples National Bank of Lodi, Ohio.

#### Harry A. Pecher, Sr.

Harry A. Pecher, Sr., who joined Skinner & Kennedy, St. Louis, as an office boy and rose to the presidency in 1953, had served as president of the St. Louis Association of Credit Management 1937-38.

#### Secretary-Manager Murken of Spokane Dies of Heart Attack

The death of William H. Murken, secretary-manager of the Spokane Division, National Association of Credit Management, came as a shock to the credit fraternity.

Mr. Murken, who had been in charge of the affiliate organization at Spokane, Wash., since 1956, died following a heart attack.

Mr. Murken is survived by his wife Evelyn; a son, William H. Jr.; a daughter, Mrs. W. J. Arnold of Riverside, Calif.; his mother, Mrs. Freda L. Murken of Wayne, Pa., and three sisters.

#### D. H. Elmore

D. H. Elmore, credit manager of Ralston Purina Company, Kansas



W. H. MURKEN

#### R. R. Tulio, Manila Credit Leader, Elected to New Post

Ranulfo R. Tulio, president of the Association of Credit Men in the Philippines, Manila, (CFM June 1961, p. 41) has been elected executive vice president and treasurer Investment Planning Corporation of the Philippines with the acquisition of control by First Acceptance & Investment Corporation. He retains his position as vice president First Acceptance & Investment Corporation, Philippine sales finance company, Manila.

Mr. Tulio is secretary-treasurer Filipinas Mutual Fund, Inc.; secretary Fortune Marketing Corporation; financial consultant Del Rosario & Sons Enterprise, and director in a number of corporations. He is immediate past president Philippine Institute of Accountants.



R. R. TULLIO

*When a fool has made up his mind, the market has gone by.*

—Spanish Proverb

## Tributes to Miss Fischer on 50th Anniversary with Firm

Attempts at a "business as usual" schedule were pleasantly interrupted for Miss Loretta M. Fischer, secretary-treasurer of George Ziegler Company, Milwaukee, on completion of 50 years with the company. (Her first job with the candy manufacturing company had been to put wires in Christmas candy cherries and apples.) Miss Fischer was honored at a reception by her company, was presented with a leather purse at a party hosted by the past presidents of the Milwaukee Credit Women's Group, and was guest at a testimonial dinner by credit and service groups at which she received other gifts.

Miss Fischer has served the credit profession with distinction, as national director NACM and as chairman National Credit Women's Executive Committee. She was the first woman to be named a director of the Milwaukee Association of Credit Management and she served as charter president of the Milwaukee Credit Women's Club. She was the subject of a "profile" in the *Milwaukee Journal* on her 50th anniversary with the company.

## Young Advanced to Endicott, White Now Knoxville President

Jeff W. White, Pet Dairy Company, has been named president of the Knoxville Wholesale Credit Association, to succeed John D. Young, whose promotion takes him out of that city. Mr. Young, formerly credit manager Great Atlantic Shoe Company, Knoxville, has been named assistant to the general credit manager of Endicott-Johnson Company, Endicott, N.Y., parent company of Great Atlantic Shoe.

## "Security Risk" Dismissal

The federal government has a legal right to dismiss a "security risk" employee without notice or hearing, the U. S. Supreme Court ruled, 5 to 4, in upholding the dismissal of a woman cook employed by a contractor at a Navy installation. Suit contending she had been deprived of Constitutional rights had been filed by the union of which she was a member. The high court ruling upheld verdicts for the Government in lower courts.

## CALENDAR OF EVENTS IMPORTANT TO CREDIT

### VICTORIA, B. C.

September 10-13

Western Division Secretary-Managers Conference

### NEW YORK, NEW YORK

September 14-15

NACM Credit Management Workshop

### CHICAGO, ILLINOIS

September 21-22

NACM Midwest Credit Conference, including Great Lakes and Ohio Valley District Credit Conferences and St. Louis Association of Credit Management.

### MINNEAPOLIS, MINNESOTA

September 28-29

North Central Credit Conference including Minnesota, North Dakota, Manitoba.

### SAN FRANCISCO, CALIFORNIA

October 12-13

Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

### SEATTLE-TACOMA AIRPORT

October 11-14

Pacific Northwest Credit Management Workshop

### HOUSTON, TEXAS

October 15-18

37th Annual Conference of American Petroleum Credit Association

### SIOUX CITY, IOWA

October 18-20

Quad-State Credit Conference, representing Iowa, Missouri, Nebraska and South Dakota

### JACKSONVILLE, FLORIDA

October 18-20

Annual Southeastern Credit Conference, covering Florida, Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee

### ATLANTIC CITY, NEW JERSEY

October 26-28

NACM Eastern Division Credit Conference

### FORT WORTH, TEXAS

October 26-28

Annual Southwest Credit Conference.

### MILWAUKEE, WISCONSIN

October 27-29

Mid-West Credit Women's Conference

### CHICAGO, ILLINOIS

November 2-3

Central Division Secretary-Managers Conference

### HOLLYWOOD-BY-THE-SEA, FLORIDA

November 12-15

Annual Fall Conference of Robert Morris Associates

### PORTLAND, OREGON

March 15-16, 1962

Fortieth Annual Pacific Northwest Credit Conference

### PHILADELPHIA, PENNSYLVANIA

May 13-17, 1962

66th Annual Credit Congress

*Every grief has twenty shadows, most of them of your own making.*

—Proverb

# How Best Sell Yourself to the Boss?

*One Way Is to Write Customers Courteous, Unexpected Letters*

By SIDNEY E. DUERR  
*General Credit Manager*  
Golden Dipt Division  
Meletio Company  
St. Louis, Missouri

HOW can you sell yourself to the boss?—This question is frequently pondered when credit executives get together.

My answer is: Write courteous letters to your customers, and better still, write the unexpected letter.

Once or twice a year, maybe at Christmas, maybe at Thanksgiving, maybe on no special occasion whatever, take a little time to thank all your good customers for their excellent paying record. This small effort may save you the greater effort of writing for payments at a later date. For example:

Gentlemen:

As the months go by, the credit department writes hundreds of letters and practically all are written to possibly only five per cent of the accounts.

If you have ever felt that your unblemished paying record has proven futile, that it is unnoticed and unappreciated, you are mistaken, though it is undoubtedly an accepted fact that we are seldom praised for our virtues.

Your payments with us have been an endless source of gratification. They have built up the desirability of your account—the inestimable value of it. Each succeeding year should and will add more and more to the mutual relations of one friendly organization to another. Our sincere wish is that you may continue to enjoy a full measure of success.

Cordially yours,

Then, don't forget the customer who sends you his yearly financial



S. E. DUERR

statement. He's proud of it—that is why you were mailed a copy. Take time out to compliment him on it. A sample:

Dear Mr. Jones:

We are very happy that you have sent us your Consolidated Balance Sheet which represents the financial position of the companies—in conformity with generally accepted accounting principles consistently applied. You are certainly to be congratulated on your excellent showing. It must represent a lot of hard work on the part of your loyal employees, as

**SIDNEY E. DUERR** received his schooling at Fort Smith, Ark., the old Arkansas Military Academy at Little Rock, and Hendrix College in Conway, Ark. Mr. Duerr is general credit manager of Golden Dipt Manufacturing Company, Division of Meletio Company, St. Louis, with which he has been associated since it began six years ago. The organization has 95 brokers and 48 warehouses in the United States, Canada, Mexico and Hawaii.

well as good management at the top by the officers of your company.

Down through the years you have always paid your bills promptly. It has been a real pleasure to work with you and we want you to know that we appreciate the splendid cooperation you have always given us. As you continue to progress, please let us know if there is any way in which we can be of service.

Cordially yours,

The boss will like you if you do this too! Remember those old discarded ledger sheets the bookkeeper handled for you, perhaps of customers who left you about six or nine months ago? They may be with your

competitor because no one called on them. A nice courteous letter can bring many of these back. Try this one:

Gentlemen:

In going over our ledger today we happened to notice your account, which showed a record of consistent prompt payments of all invoices. If we overlooked thanking you, we would like to do so now. It's nice to know that your credit is unquestioned and your orders are always welcome. You should take a special pride in your credit standing—it's priceless.

Our records do not show an order for some time. We hope it was not due to the quality of our product, nor our services. May we have an opportunity to correct anything that may be out of order? It is always a pleasure to approve your orders.

Yours very truly,

In the event of the death of a customer or a member of the organization, a letter expressing your regrets will be appreciated.

## *In Time of Disaster*

If your customer has experienced a fire, or flood, or some disaster, don't wait for him to write you for help—it may be too late. Something like this:

Gentlemen:

The newspapers and radio bring us today news of the terrible floods in your area. We hope that none of your personnel suffered personal injury, that none of your stock was damaged.

Can we be of help in any way? Our only reason for bothering you at a time like this is to ask you—what can we do?

If any of the merchandise from us was damaged or ruined, wire us your order. It will be taken care of before all others—and replacement will be gratis, freight prepaid. Don't worry about your bal-

ance on our ledger. It will be soon enough to think about this after the crisis is past.

Sincerely yours,

Don't forget to tell your customer of an overpayment (if the difference is too great, return his check), or if he fails to take his discount for prompt payment. Any letter of this kind not only shows honesty and fair dealing but pays big dividends. Your salesman should have a copy.

Gentlemen:

Thank you very much for your check. We appreciate your usual prompt payment. Our ledger shows that you have always paid on schedule.

We notice that on this particular invoice, your check is for \$— and you have deducted only \$— discount. You are entitled to \$— discount; therefore this is an overpayment of \$—. It will facilitate our bookkeeping records if you will kindly deduct this from your next invoice, in addition to your discount for prompt payment.

Cordially yours,

Don't forget an old customer who is retiring from business.

Dear Mr. Smith:

We are very sorry to learn that you will no longer be engaging in business.

Our relations with you, Mr. Smith, down through the years, have been very cordial. Aside from the nice business that you have given us and your splendid cooperation, all your bills have been paid promptly.

Unlike Hollywood, we do not have Oscars to offer for your remarkable record, but we do extend you our very best wishes and thank you.

Yours has been a very successful business and we know that, since you are continuing as a consultant or advisor to your nephew, this firm will proceed to add milestone after milestone of success.

Good luck to you always.

Cordially yours,

Did your customer overpay? Maybe he would like to have his check back and send you a new one. The following letter covers that:

Gentlemen:

Thank you for your usual prompt payment of our invoice amount-

ing to \$—. We notice that you have inadvertently made this check out for \$—. The amount of our invoice is \$— and you would be entitled to 2% discount. Therefore, your check should be for only \$—. This is an overpayment of \$—.

We believe you would prefer that we return your check for correction, or a new one, so it is herewith enclosed. Thanking you very much for your close observance of our terms down through the years, we are,

Sincerely yours,

The credit man who is tactful, courteous and salesminded sells himself to his customers. This creates the goodwill that sells him to his boss.

## Personnel Mart

### CREDIT AUTHORIZER

Job opening to materialize within six months in Central Florida for man 25-30 years of age, preferably married, willing and able to travel. Must have accounting experience or be graduate of National Institute of Credit. Moving expenses must be at own expense; salary \$6,000 per annum. Generous profit sharing and pension plan. We will arrange for personal interview in New York City. Send job résumé and recent photograph to CFM Box #545.

### CREDIT EXECUTIVE *Wholesale, Retail, Industrial Experience*

Experienced in department organization and administration, formulation of credit and procedure policies. Extensive customer contact. Close liaison with Sales in dealer development programs, processing \$25 million annual sales volume through 23 branch offices. IBM ledger and billing experience. Direct supervision of personnel. Desires responsible, challenging position with opportunity for advancement. Willing to relocate. Salary: \$10,000 plus. Résumé on request. CFM Box #546.

### AVAILABLE

TOPNOTCH Credit Executive—First president and organizer of NACM Association of Cuba. Age 49. Bilingual (Spanish-English). University graduate. CPA. Latest position: asst. manager of Cuban bank; previously credit manager, Procter & Gamble, Havana. Best U.S. references. Résumé on request. Jose Mola Morilla, Washington #111—Apto 3, Condado, Santurce, Puerto Rico.

### Experienced Executive

13 years experience all phases of Credit and Collections. 7 years with blue chip company; 6 years with medium-sized manufacturer AAAI as Office-Credit Manager, with staff of 35. Familiar with punch card receivables, all phases accounting and office procedures and systems. Graduate New York Institute of Credit, Fellow Award. Age 37. Desire to relocate with progressive firm. Excellent references. Résumé on request. CFM Box #547.

### Discounter Disputes Ohio Ruling Upholding 1959 Fair Trade Law

A 2-to-1 court of appeals ruling upholding the constitutionality of the Ohio law permitting manufacturers to set Fair Trade resale prices to the public is being fought by Bernard Shulman, president of Regal D. S., Inc., Detroit company whose Cleveland subsidiary, Hudson Distributors, Inc., has challenged the constitutionality of the 1959 law. Mr. Shulman says the ruling will not affect Regal's plans to convert 41 recently purchased Standard Drug stores to discount centers.

A test case had been filed in Cleveland in August 1959 in court of common pleas against The Upjohn Company and Eli Lilly & Co., which had served notice on Hudson that they would enforce Fair Trade drug prices. In April 1960 the cases were heard by Judge Eugene R. McNeill, who held the law unconstitutional. The companies carried their cases to the court of appeals for Cuyahoga County, which now has overturned the McNeill decision.

Mr. Shulman declares appeal will be taken to the Ohio supreme court and the U. S. high tribunal if necessary.



W. SCHUMACHER



C. E. HAINES

## Executives in the News



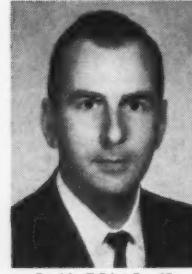
K. C. HUME



G. J. HOSKIN



LEE KELTNER



R. H. TOLAR, JR.

### Cincinnati Steel Executive Began as Accounting Clerk

Zealous worker in the Cincinnati Association of Credit Management over the last decade, Charles E. Haines now has won honor as president of the association. Cincinnati-born Mr. Haines is credit manager Acme-Newport Steel Company, subsidiary of Acme Steel Company, at Newport, Ky.

He began with the company in 1939 as accounting clerk, advanced to cost clerk in 1943, and in 1950 assumed the credit responsibility. Metalworking and machineshop practice are pastimes.

### Motor Finance Executive For Progress in Education

Combining teaching and practice, the new president of the Tri-State Credit Association, El Paso, W. P. Schumacher taught a course in credit and collections at Texas Western

College. In the association he has been educational chairman and vice president. Mr. Schumacher is vice-president and treasurer Lone Star Motor Finance Company, Inc.

Following service in the Naval Reserve 1943-46 and graduation from New Mexico State "U" (B.A. 1948), Mr. Schumacher began his career as reporting and service manager Dun & Bradstreet, El Paso. From 1953-59 he was secretary-treasurer Harry L. Hussmann, Inc.

### Editing, Engineering Laid Ground for Banking Career

Graydon J. Hoskin, vice president commercial loan administration, United California Bank, Los Angeles, is the new president Credit Managers Association of Southern California. He is a past president Los Angeles Bank Credit Men's Association.

Graduate of the University of Minnesota with the electrical engineering degree, Mr. Hoskin went into banking credit at United California in 1939. Background includes a period as editor Southern California division of the investment service of "Walker Manual" and as statistician for Minneapolis-St. Louis Railroad, Minneapolis.

### RAF Instructor in War, Texan Pilots Finances Now

Thirty-eight-year old Lee Keltner, since 1954 financial services manager Southwestern Drug Corporation, Dallas, president incumbent of The Dallas Association of Credit Management, Inc., has been flying almost since he was born "across the road" from Gainesville, Texas airport. He soloed at 16, at 19 was civilian flight instructor for the Air Force.

Later he taught flying for the Royal Air Force and in '49 participated in the Berlin airlift.

Graduate of Southern Methodist "U" (BBA. 1952), Mr. Keltner holds the Associate Award, National Institute of Credit.

### Memphis Most Noble "Z" Wins Additional Honor

The "Most Noble Zebra" in the Royal Order of Zebras, Memphis chapter, Reginald H. Tolar, Jr., has won additional recognition in election to the presidency of the NACM Mid-South Unit. A member of the National Institute of Credit, Mid-South Unit, Mr. Tolar also has served on its board of governors. He holds the Associate Award, NIC, and currently is a candidate for the Fellow Award.

Credit manager Jones & Laughlin Steel Warehouse Division, Memphis Warehouse, Mr. Tolar began with J&L in 1956.

### Banker Named by Oregon Unit Also Headed AIB in Portland

Kenneth C. Hume, assistant vice president Bank of California, N.A., Portland, has been elected president of the Oregon Association of Credit Management following service on many committees and as secretary, vice president and trustee. A past president of American Institute of Banking, Portland chapter, Mr. Hume also has served on the Joint Committee on Cooperation with Robert Morris Associates.

A 14-year employee of the bank, Mr. Hume was manager of the credit department before promotion to commercial loan officer. A golf hobbyist, he holds numerous trophies.

**ACCOUNTS RECEIVABLE ARE A GOLD MINE  
OF WORKING CASH  
WHEN WILLIAM ISELIN & CO., INC.  
FINANCES THEM FOR YOUR CUSTOMERS**

We can turn your customers' receivables rapidly into cash in hand ▶ to take their discounts ▶ to expand their volume ▶ to make good buys of raw materials ▶ to support dating and special terms ▶ to buy out other interests ▶ to acquire new plant and equipment.

It can pay your customers richly to get in touch with us. ▶ if they are expanding rapidly on limited capital ▶ if their requirements are beyond available bank limits ▶ if they find

periodic loan clean-ups difficult to meet ► if their capital has been reduced but they still present a good potential for successful operation.

Our commercial financing services are available to firms that make or distribute staple products at a wholesale level. Hundreds of fine firms in many industries have built solid profits for themselves on our support. We have advanced billions of dollars cash to our clients for merchandise they sold their customers on credit.

WILLIAM ISELIN & CO., INC.  
POST OFFICE BOX 328  
MADISON SQUARE STATION  
NEW YORK 10, N. Y.

Send for our brochure: "Receivables Financing for Faster Funds."

# Guard your capital investment . . .



## with **American Credit Insurance**<sup>®</sup>

The moment your product is shipped, title passes . . . and your credit risk begins. From that point on, the only protection for your accounts receivable . . . for all the working capital and profit your product represents . . . is commercial credit insurance. An ACI policy, with new and broader coverage, is the soundest way to guard your capital investment.

### **12 WAYS CREDIT INSURANCE CAN HELP YOUR BUSINESS**

Its advantages are spelled out in a helpful ACI booklet, yours for the asking. Write **AMERICAN CREDIT INSURANCE**, Dept. 47, 300 St. Paul Place, Baltimore 2, Md.

Sound market expansion, too, is a major benefit of American Credit Insurance. You can confidently add more good customers, sell more to present customers. Today, as for 68 years, an ACI policy is important to sales progress and good financial management. *Call your Insurance agent . . . or the local office of American Credit Insurance.*

A subsidiary of **COMMERCIAL CREDIT COMPANY**, which has assets of over two billion dollars.

